

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **August 31, 2015**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____

Commission file number 001-36759

WALGREENS BOOTS ALLIANCE, INC .

(Exact name of registrant as specified in its charter)

Delaware

47-1758322

(State of incorporation)

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

108 Wilmot Road, Deerfield, Illinois

60015

(Address of principal executive offices)

(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock (\$.01 Par Value)	The NASDAQ Stock Market LLC
2.875% Notes due 2020	New York Stock Exchange
3.600% Notes due 2025	New York Stock Exchange
2.125% Notes due 2026	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Non-accelerated filer

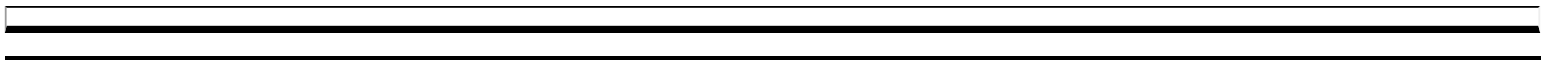
Accelerated filer
Smaller reporting company

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

As of February 28, 2015, the aggregate market value of Walgreens Boots Alliance, Inc. common stock held by non-affiliates (based upon the closing transaction price on such date) was approximately \$71.6 billion. As of September 30, 2015, there were 1,088,793,571 shares of Walgreens Boots Alliance, Inc. common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for our Annual Meeting of Stockholders planned to be held on January 27, 2016 are incorporated by reference into Part III of this Form 10-K as indicated herein.



Walgreens Boots Alliance, Inc.
Annual Report on Form 10-K

Table of Contents

Part I

	Page
Item 1. Business	1
Item 1A. Risk Factors	7
Item 1B. Unresolved Staff Comments	23
Item 2. Properties	23
Item 3. Legal Proceedings	24
Item 4. Mine Safety Disclosures	24
Executive Officers of the Registrant	24

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	26
Item 6. Selected Financial Data	28
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	29
Item 7A. Qualitative and Quantitative Disclosures about Market Risk	48
Item 8. Financial Statements and Supplementary Data	49
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	102
Item 9A. Controls and Procedures	102
Item 9B. Other Information	103

Part III

Item 10. Directors, Executive Officers and Corporate Governance	103
Item 11. Executive Compensation	104
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	104
Item 13. Certain Relationships and Related Transactions and Director Independence	104
Item 14. Principal Accounting Fees and Services	104

Part IV

Item 15. Exhibits and Financial Statement Schedules	104
Signatures	116

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

References in this Annual Report on Form 10-K (this “Form 10-K”) to the “Company,” “we,” “us” or “our” refer to Walgreens Boots Alliance, Inc. and its subsidiaries from and after the effective time of the Reorganization on December 31, 2014 and, prior to that time, to the predecessor registrant Walgreens and its subsidiaries, and in each case do not include unconsolidated partially-owned entities, except as otherwise indicated or the context otherwise requires. Our fiscal year ends on August 31, and references herein to “fiscal 2015” refer to our fiscal year ended August 31, 2015.

This Form 10-K includes forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. See “Cautionary Note Regarding Forward-Looking Statements” in “Management's Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 below.

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

PART I

Item 1. Business

Overview

Walgreens Boots Alliance, Inc., a Delaware corporation (“Walgreens Boots Alliance”), is the first global, pharmacy-led health and wellbeing enterprise with net sales of \$103.4 billion in the fiscal year ended August 31, 2015. Our purpose is to help people across the world lead healthier and happier lives.

Together with our equity method investments:

- we are a global leader in pharmacy-led health and wellbeing retail, with more than 13,100 stores in 11 countries;
- we are one of the largest global pharmaceutical wholesale and distribution networks, with more than 350 distribution centers delivering to more than 200,000 pharmacies, doctors, health centers and hospitals each year in 19 countries;
- we are one of the world’s largest purchasers of prescription drugs and other health and wellbeing products; and
- we employ more than 370,000 employees, of which more than 100,000 are healthcare providers such as pharmacists, pharmacy technicians, nurse practitioners and other health related professionals.

Our portfolio of retail and business global brands includes Walgreens, Duane Reade, Boots and Alliance Healthcare, as well as increasingly global health and beauty product brands, including No7, Botanics, Liz Earle and Soap & Glory. Our global brands portfolio is enhanced by our in-house new product research and development and manufacturing capabilities. We seek to further drive innovative ways to address global health and wellness challenges. We believe we are well positioned to expand customer offerings in existing markets and become a health and wellbeing partner of choice in emerging markets.

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

Recent Transactions

On August 2, 2012, Walgreens acquired a 45% equity interest in Alliance Boots GmbH (“Alliance Boots”) along with a call option to acquire the remaining 55% equity interest in Alliance Boots (the “First Step Transaction”) in exchange for \$4.025 billion in cash and approximately 83.4 million shares of Walgreens common stock.

On December 31, 2014, Walgreens Boots Alliance became the successor of Walgreens pursuant to a merger to effect a reorganization of Walgreens 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, which was formed for the purposes of the Reorganization, and each issued and outstanding share of Walgreens common stock was converted into one share of Walgreens Boots Alliance common stock. Also on December 31, 2014, following the completion of the Reorganization, Walgreens Boots Alliance completed the acquisition pursuant to the call option of the remaining 55% of Alliance Boots that Walgreens did not previously own (the “Second Step Transaction”) in exchange for £3.133 billion (\$4.874 billion) in cash and 144.3 million shares of Walgreens Boots Alliance common stock.

Prior to the completion of the Second Step Transaction, we accounted for our 45% investment in Alliance Boots using the equity method of accounting. Investments accounted for under the equity method are recorded initially at cost and subsequently adjusted for our share of the net income or loss and cash contributions and distributions to or from these entities. Net income reported by Alliance Boots during this period was translated from British Pounds Sterling at the average rate for the period. Upon completion of the Second Step Transaction, Alliance Boots became a consolidated subsidiary and ceased being accounted for under the equity method. 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 as of and after the closing of the Reorganization on December 31, 2014. For additional information, see “Management's Discussion and Analysis of Financial Condition and Results of Operations” (“MD&A”) in Part II, Item 7 below and Note 6, Equity Method Investments, to the Consolidated Financial Statements included in Part II, Item 8 below.

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 are sourced from AmerisourceBergen in the U.S.; an agreement which provides AmerisourceBergen the ability to access generics and related pharmaceutical products through Walgreens Boots Alliance Development GmbH (“WBAD”), a global sourcing enterprise formed by Walgreens and Alliance Boots; and agreements and arrangements pursuant to which we have the right, but not the obligation, to purchase a minority equity position in AmerisourceBergen and gain associated representation on AmerisourceBergen’s board of directors in certain circumstances. Please refer to our Form 8-K filed on March 20, 2013 for more detailed information regarding these agreements and arrangements. As of August 31, 2015, we owned approximately 5.2% of the outstanding common shares of AmerisourceBergen and had designated one member of AmerisourceBergen’s board of directors.

In addition, we have undertaken a number of additional acquisitions, divestitures, and strategic initiatives in recent years designed to grow our businesses and enhance our competitive position. These initiatives are described in MD&A in Part II, Item 7 below and Note 4, Restructuring, Note 6, Equity Method Investments and Note 8, Acquisitions to the Consolidated Financial Statements included in Part II, Item 8 below.

Pending Transaction

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”), pursuant to which the Company agreed, subject to the terms and conditions thereof, to acquire Rite Aid, a drugstore chain in the United States with 4,561 stores in 31 states and the District of Columbia as of August 29, 2015. The transaction is expected to close in the second half of calendar 2016, subject to Rite Aid stockholder approval, regulatory approvals and other customary closing conditions. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 below and Note 21, Subsequent Event, to our Consolidated Financial Statements in Part II, Item 8 below.

Industry Overview

The global retail pharmacy and pharmaceutical wholesale industries are highly competitive and have been experiencing consolidation in recent years. Prescription drugs play a significant role in healthcare and constitute a first line of treatment for many medical conditions. We believe the long-term outlook for prescription drug utilization is strong due, in part, to aging populations, increases in life expectancy, increases in the availability and utilization of generic drugs, the continued development of innovative drugs that improve quality of life and control healthcare costs, and increases in the number of persons with insurance coverage for prescription drugs, including, in the United States, the expansion of healthcare insurance coverage under the Patient Protection and Affordable Care Act (the “ACA”) and “baby boomers” increasingly becoming eligible for the federally funded Medicare Part D prescription program. Wholesalers in the pharmaceutical distribution business function as a vital link between drug manufacturers and pharmacies and healthcare providers in supplying pharmaceuticals to patients.

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

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

We expect that market demand, government regulation, third-party reimbursement policies, government contracting requirements and other pressures will continue to cause the industries in which we compete to evolve. Pharmacists are on the frontlines of the healthcare delivery system, and we believe rising healthcare costs and the limited supply of primary care physicians present new opportunities for pharmacists and retail pharmacies to play an even greater role in driving positive outcomes for patients and payers through expanded service offerings such as immunizations and other preventive care, healthcare clinics, pharmacist-led medication therapy management and chronic condition management.

Segments

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

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

For fiscal 2015, our segment total sales were: Retail Pharmacy USA, \$81.0 billion; Retail Pharmacy International, \$8.8 billion; and Pharmaceutical Wholesale, \$15.3 billion. Due to the timing of completion of the Second Step Transaction, Retail Pharmacy International and Pharmaceutical Wholesale total sales reflect operations for the last eight months of our fiscal year. Additional information relating to our segments is included in MD&A in Part II, Item 7 below and in Note 19, Segment Reporting to our Consolidated Financial Statements included in Part II, Item 8 below, which information is incorporated herein by reference.

Retail Pharmacy USA

Our Retail Pharmacy USA division has pharmacy-led health and beauty retail businesses in 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, each focused on helping people feel healthy and happy. We operated 8,173 retail stores in the division as of August 31, 2015. Our principal retail pharmacy brands in the division are Walgreens and Duane Reade. We are a market leader in the United States and, as of August 31, 2015, approximately 76% of the population of the United States lived within five miles of a Walgreens or Duane Reade retail pharmacy.

We provide customers with convenient, omni-channel access to consumer goods and services, including own branded general merchandise such as NICE!, DeLish™ and Well at Walgreens, as well as pharmacy and health and wellness services in communities across America. Our websites receive an average of approximately 68 million visits per month. Integrated with our e-commerce platform, the Walgreens mobile application allows customers to refill prescriptions through scan technology, receive text messages alerting when a refill is due and other retail functionality, such as photo and shopping features.

Our services help improve health outcomes for patients and manage costs for payers including employers, managed care organizations, health systems, PBM companies and the public sector. We utilize our retail network as a channel to provide health and wellness services to our customers and patients, as illustrated by our ability to play a significant role in providing flu vaccines and other immunizations. We also provide specialty pharmacy services and manage in-store clinics branded as "Healthcare Clinic", with more than 400 locations throughout the United States as of August 31, 2015. We have more than 74,000 healthcare service providers, including pharmacists, pharmacy technicians, nurse practitioners and other health related professionals.

The components of the division's sales are Pharmacy (the sale of prescription drugs and provision of pharmacy-related services) and Retail (the sale of healthcare and retail products including non-prescription drugs, beauty, toiletries and general merchandise). The division's sales are subject to the influence of seasonality, particularly the winter holiday and cough, cold and flu seasons. This seasonality also can affect the division's proportion of sales between Retail and Pharmacy during certain periods. The components of the division's fiscal year total sales were as follows:

	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>
Pharmacy	66%	64%	63%
Retail	34%	36%	37%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

We filled approximately 723 million prescriptions (including immunizations) in the division in fiscal 2015. Adjusted to 30-day equivalents, prescriptions filled were 894 million in fiscal 2015. Sales where reimbursement is received from managed care organizations, governmental agencies, PBM companies and private insurance were 96.8% of the division's fiscal 2015 pharmacy sales.

We fill prescriptions for many state Medicaid public assistance programs. Revenues from all such Medicaid plans were approximately 4.5% of the division's fiscal 2015 total sales. Revenues from Medicare Part D plans were approximately 15.9% of the division's fiscal 2015 total sales.

[Table of Contents](#)

Our U.S. loyalty program, Balance® Rewards, is designed to reward our most valuable customers and encourage shopping in stores and online. Balance Rewards members receive special pricing on select products and earn everyday rewards points for purchasing most merchandise that can be instantly redeemed at our stores or through walgreens.com. As of August 31, 2015, the number of active Balance Rewards members totaled approximately 85 million. For this purpose, we define an active member as someone who has used their card in the last six months.

AmerisourceBergen began to supply and distribute all branded pharmaceutical products that we historically sourced from distributors and suppliers to the division's retail stores as of September 1, 2013, and during calendar 2014, it began to supply and distribute increasingly significant levels of generic pharmaceutical products that, in the past, we self-distributed. This transition to AmerisourceBergen was substantially complete as of August 31, 2014. We purchase our non-pharmaceutical merchandise from numerous manufacturers and wholesalers.

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

The current environment of our pharmacy business also includes ongoing generic inflation, reimbursement pressure, and a shift in pharmacy mix towards 90-day at retail (one prescription that is the equivalent of three 30-day prescriptions). In fiscal 2014 and fiscal 2015, we experienced cost increases on a subset of generic drugs that historically experienced deflation, some of which were significant. We expect this generic inflation to continue into fiscal 2016.

We continuously face reimbursement pressure from PBM companies, health maintenance organizations, managed care organizations and other commercial third party payers; our agreements with these payers are regularly subject to expiration, termination or renegotiation. In addition, plan changes with rate adjustments often occur in January and our reimbursement arrangements may provide for rate adjustments at prescribed intervals during their term. We experienced lower reimbursement rates in fiscal 2015 as compared to the same period in the prior year. Further, we accepted lower Medicare Part D reimbursement rates in calendar 2015 compared to calendar 2014 in order to secure preferred relationships with Medicare Part D plans serving senior patients with significant pharmacy needs.

Our 90-day at retail prescription drug offering is typically at a lower margin than comparable 30-day prescriptions, but provides us with the opportunity to increase business with patients with chronic prescription needs while offering increased convenience, helping facilitate improved prescription adherence and resulting in a lower cost to fill the 90-day prescription. We expect that these factors will continue to have an adverse impact on gross profit dollar growth in our pharmacy business in fiscal 2016.

Retail Pharmacy International

Our Retail Pharmacy International division (excluding equity method investments) has pharmacy-led health and beauty retail businesses in eight countries, each focused on helping people look and feel their best. We operated 4,582 retail stores in this division as of August 31, 2015 (see "Properties" in Part I, Item 2 below for information regarding geographic coverage), and have grown our online presence significantly in recent years. Our principal retail pharmacy brands are Boots in the United Kingdom, Thailand, Norway, the Republic of Ireland and The Netherlands, and Benavides in Mexico and Ahumada in Chile. In Europe, we are a market leader and our retail stores are conveniently located and our pharmacists are well placed to provide a significant role in the provision of healthcare services, working closely with other primary healthcare providers in the communities we serve.

The Boots omni-channel offering is differentiated from that of competitors due to the product brands we own, such as No7, Boots Pharmaceuticals, Botanics, Liz Earle, Soap & Glory, and 'only at Boots' exclusive products, together with our long established reputation for trust and customer care. Our brands portfolio is enhanced by our in-house product research and development and manufacturing capabilities.

Our retail store networks are typically complemented by on-line platforms. In the United Kingdom, our transactional website, boots.com, and our consumer health and wellness portal, BootsWebMD.com, continued to be two of the most visited health websites, receiving on average approximately 19 million and 11 million visits monthly. Through the boots.com website and integrated mobile application, our 'order and collect' service allows customers to order from a range of over 30,000 products by 8:00 p.m. and collect by noon the following day from approximately 90% of the United Kingdom's retail stores as of August 31, 2015.

The Boots Advantage Card loyalty program, where customers earn points on purchases for redemption at a later date, continues to be a key element of the Boots offering. As of August 31, 2015, the number of active Boots Advantage Card members totaled approximately 16 million. For this purpose, we define an active member as someone who has used their card in the last six months.

In addition, Boots in the United Kingdom is one of the leaders in the optical market with 637 practices, of which 177 operated on a franchise basis as of August 31, 2015. Approximately 30% of these optical practices are located in Boots stores with the balance being standalone optical practices.

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

The division's sales are subject to the influence of seasonality, with the second fiscal quarter typically the strongest as a result of the winter holiday period. This seasonality affects the division's proportion of sales between Retail and Pharmacy during certain periods. Subsequent to the Second Step Transaction, for the months of January through August 2015, Pharmacy and Retail sales represented 37% and 63% of total division sales, respectively.

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

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

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

Pharmaceutical Wholesale

Our Pharmaceutical Wholesale division (excluding equity method investments), which mainly operates under the Alliance Healthcare brand, supplies medicines, other healthcare products and related services to more than 140,000 pharmacies, doctors, health centers and hospitals each year from 302 distribution centers in 12 countries, primarily in Europe, as of August 31, 2015.

The distribution of prescription medicines to pharmacists comprises the vast majority of the division's sales. Our wholesale businesses seek to provide high core service levels to pharmacists in terms of frequency of delivery, product availability, delivery accuracy, timeliness and reliability at competitive prices. We also offer customers innovative added-value services to help pharmacists develop their own businesses. This includes membership of Alphega Pharmacy, our pan-European network for independent pharmacies, which, as of August 31, 2015, had over 6,500 members.

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

Combined with local engagement, scale is important in pharmaceutical wholesaling. We are one of the largest pharmaceutical wholesalers and distributors in Europe, and we rank as one of the top three in market share in many of the individual countries in which we operate.

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

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

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

Intellectual property and licenses

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

Seasonal variations in business

Our business is affected by a number of factors including, among others, our sales performance during holiday periods (including particularly the winter holiday season) and during the cough, cold and flu season (the timing and severity of which is difficult to predict), significant weather conditions, the timing of our own or competitor discount programs and pricing actions, and the timing of changes in levels of reimbursement from governmental agencies and other third party payers. See "Summary of Quarterly Results (Unaudited)" in the Consolidated Financial Statements included in Part II, Item 8 below.

Sources and availability of raw materials

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

Working capital practices

Effective inventory management is important to our operations. We use various inventory management techniques, including demand forecasting and planning and various forms of replenishment management. Our working capital needs typically are greater in the months leading up to the winter holiday season. We generally finance our inventory and expansion needs with internally generated funds and short-term borrowings. For additional information, see the Liquidity and Capital Resources section in MD&A in Part II, Item 7 below.

Customers

We sell to numerous retail and wholesale customers. No customer or payer accounted for ten percent or more of our consolidated net sales in fiscal 2015. One third party payer, OptumRx, accounted for approximately 12.3% of our Retail Pharmacy USA division's fiscal 2015 total sales. One customer in our Retail Pharmacy International division, NHS England, accounted for approximately 20.0% of the division's fiscal 2015 total sales.

Regulation

In the countries in which we do business, we are subject to national, state and local laws, regulations, and administrative practices concerning retail and wholesale pharmacy operations, including regulations relating to our participation in Medicare, Medicaid and other publicly financed health benefit plans; regulations prohibiting kickbacks, beneficiary inducement and the submission of false claims; the Health Insurance Portability and Accountability Act ("HIPAA"); the ACA; licensure and registration requirements concerning the operation of pharmacies and the practice of pharmacy; and regulations of the U.S. Food and Drug Administration, the U.S. Federal Trade Commission, the U.S. Drug Enforcement Administration and the U.S. Consumer Product Safety Commission, as well as regulations promulgated by comparable foreign, state and local governmental authorities concerning the operation of our businesses. We are also subject to laws and regulations relating to licensing, tax, foreign trade, intellectual property, privacy and data protection, currency, political and other business restrictions.

We are also governed by national, state and local laws of general applicability in the countries in which we do business, including laws regulating matters of working conditions, health and safety and equal employment opportunity. In connection with the operation of our businesses, we are subject to laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous substances. Environmental protection requirements did not have a material effect on our results of operations or capital expenditures in fiscal 2015.

Competitive conditions

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

Employees

As of August 31, 2015, we employed approximately 360,000 persons, approximately 115,000 of whom were part-time employees working less than 30 hours per week. The foregoing does not include employees of unconsolidated partially-owned entities.

Research and development

While our global brands portfolio is enhanced by our in-house product research and development capabilities, the amount we spend on research and development activities is not material.

Financial Information about Foreign and Domestic Operations and Export Sales

Prior to completion of the Second Step Transaction, we accounted for our 45% investment in Alliance Boots using the equity method of accounting and as a result, no Alliance Boots sales were included in our net sales prior to December 31, 2014. All our sales in fiscal years 2014 and 2013 occurred within the United States, Puerto Rico, Guam and the U.S. Virgin Islands. Subsequent to the Second Step Transaction, Alliance Boots results have been fully consolidated. Certain financial information relating to foreign and domestic operations, including total revenues and long-lived assets aggregated by our U.S. and non-U.S. operations, is included in Note 19, Segment Reporting to the Consolidated Financial Statements included in Part II, Item 8 below, which information is incorporated herein by reference. See “Risk Factors” in Part I, Item 1A below for information regarding risks attendant to our foreign operations.

Available Information

We file with the Securities and Exchange Commission (the “SEC”) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, as well as proxy statements and registration statements. You may read and copy any material we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically. We make available free of charge on or through our website at <http://investor.walgreensbootsalliance.com> our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we file or furnish them to the SEC. The contents of our website are not, however, a part of this Form 10-K or our other SEC filings.

Item 1A. Risk Factors

In addition to the other information in this report and our other filings with the SEC, you should carefully consider the risks described below, which could materially and adversely affect our business operations, financial condition and results of operations. 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.

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

The substantial majority of the prescriptions we fill are reimbursed by third party payers, including private and governmental agency payers. The continued efforts of health maintenance organizations, managed care organizations, pharmacy benefit management companies, governmental agencies, and other third party payers to reduce prescription drug costs and pharmacy reimbursement rates, as well as litigation relating to how drugs are priced, may adversely impact our results of operations. In the United States, plan changes with rate adjustments often occur in January and our reimbursement arrangements may provide for rate adjustments at prescribed intervals during their term. In addition, some of these entities may offer pricing terms that we may not be willing to accept or otherwise restrict our participation in their networks of pharmacy providers.

In the United States, certain provisions of the Deficit Reduction Act of 2005 sought to reduce federal spending by altering AMP (the Medicaid reimbursement formula for multi-source (i.e., generic) drugs). While those reductions did not go into effect, the ACA, which was signed into law on March 23, 2010, enacted a modified AMP reimbursement formula for multi-source drugs that significantly affects reimbursement calculations. The modified formula, when implemented, is expected to reduce Medicaid reimbursements, which could adversely affect our results of operations. The Centers for Medicare and Medicaid Services (“CMS”) is preparing to use the modified reimbursement formula to calculate a U.S. federal ceiling on reimbursement rates for multi-source drugs to pharmacies under the Medicaid program, and posts draft federal upper limit (“FUL”) reimbursement files on the CMS website that are calculated based on the requirements of the health reform legislation. As of the date of this report, these draft FUL files are for review and comment only; however, CMS has announced that it plans to publish final FULs after a period of releasing them in draft format. CMS has issued proposed regulations to implement the ACA’s provisions regarding Medicaid reimbursement to pharmacies, but to date the regulations have not been finalized. There have also been a number of other proposals and enactments by the federal government and various states to reduce Medicare Part D and Medicaid reimbursement levels in response to budget deficits, and we expect additional proposals in the future.

Many payers in the United States are increasingly considering new metrics as the basis for reimbursement rates, such as average sales price, average manufacturer price, and actual acquisition cost. For example, CMS now makes national average drug acquisition cost data, which reflect retail community pharmacy invoice costs, publicly available on a regular basis. CMS has indicated that state Medicaid agencies can use this information to compare their own reimbursement and pricing methodologies and rates to those derived from the survey data. There can be no assurance that recent or future changes in prescription drug reimbursement policies and practices will not materially and adversely affect our results of operations.

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

A shift in the mix of pharmacy prescription volume towards programs offering lower reimbursement rates could adversely affect our results of operations. Our Retail Pharmacy USA division continued to experience a shift in pharmacy mix towards 90-day at retail in fiscal 2015 and that trend is expected to continue in fiscal 2016. Our 90-day at retail offering for patients with chronic prescription needs typically is at a lower margin than comparable 30-day prescriptions. Additionally, we have accepted lower reimbursement rates in order to secure preferred relationships with Medicare Part D plans serving senior patients with significant pharmacy needs. If we are not able to generate additional prescription volume and other business from patients participating in these programs that is sufficient to offset the impact of lower reimbursement, our results of operations could be materially and adversely affected.

We could be adversely affected by a decrease in the introduction of new brand name and generic prescription drugs.

New brand name drugs can result in increased drug utilization and associated sales revenues, while the introduction of lower priced generic alternatives typically results in relatively lower sales revenues, but higher gross profit margins. Accordingly, a decrease in the number of significant new brand name drugs or generics successfully introduced could materially and adversely affect our results of operations.

Generic drug inflation could have a material adverse effect on our results of operations in the United States.

Overall increases in the amounts we pay to procure generic drugs, commonly referred to as generic drug inflation, could have a material adverse effect on our results of operations, including particularly those of our Retail Pharmacy USA division. Our gross profit margins would be adversely affected by generic inflation to the extent we are not able to offset such cost increases. We experienced a shift from historical patterns of deflation in generic drug costs to inflation in fiscal 2014, when we experienced cost increases on a subset of generic drugs that in some cases were significant. This generic inflation continued with respect to certain generic drugs in fiscal 2015. Any failure to fully offset any such increased prices and costs or to modify our activities to mitigate the impact could have a material adverse effect on our results of operations.

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

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

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

Many organizations in the healthcare industry, including PBM companies and health insurance companies, have consolidated in recent years to create larger healthcare enterprises with greater bargaining power, which has resulted in greater pricing pressures. For example, in July 2015, OptumRx, UnitedHealth Group's pharmacy care services business, completed its combination with Catamaran Corporation, with the combined businesses expected to fulfill over one billion prescriptions in 2015 and be the third largest PBM company in the United States. In addition, significant business combinations within the health insurance industry were announced in July 2015, with Anthem, Inc. announcing its agreement to acquire Cigna Corporation, and Aetna, Inc. announcing its agreement to acquire Humana Inc., with the resulting enterprises expected to be two of the three largest health insurers in the United States. If this consolidation trend continues, it could give the resulting enterprises even greater bargaining power, which may lead to further pressure on the prices for our products and services. If these pressures result in reductions in our prices, our businesses would become less profitable unless we are able to achieve corresponding reductions in costs.

Strategic alliances in the healthcare industry also impact our businesses and competitive positioning. For example, following the announcement of our agreement with AmerisourceBergen providing for, among other things, generic drug purchasing by Walgreens, Alliance Boots and AmerisourceBergen through WBAD, our global sourcing enterprise, some of our retail pharmacy competitors subsequently established relationships with other pharmaceutical drug wholesalers relating to generic drug procurement. In addition, further consolidation among generic drug manufacturers could lead to increased generic drug inflation in the future. We expect that market demand, government regulation, third-party reimbursement policies, government contracting requirements, and other pressures will continue to cause the healthcare industry to evolve, potentially resulting in further business consolidations and alliances among the industry participants we engage with, and which may materially and adversely impact our business operations, financial condition and results of operations.

We may not be able to successfully or timely complete the pending acquisition of Rite Aid.

Risks and uncertainties related to our pending acquisition of Rite Aid include, among others: the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement including the failure of Rite Aid to obtain the approval of its stockholders of the transaction; that regulatory or other approvals required for the transaction are not obtained; that litigation may be filed which could prevent or delay the transaction; and that uncertainty regarding the transaction may adversely affect our and Rite Aid's relationships with suppliers, payers, customers and other third parties with which we or Rite Aid do business.

Completion of the transaction is subject to the satisfaction of certain conditions set forth in the Merger Agreement, including the expiration or termination of applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, approval of the transaction by Rite Aid stockholders, no material adverse effect having occurred with respect to Rite Aid prior to the closing of the transaction and other customary conditions. We will be unable to complete the pending acquisition of Rite Aid until each of the conditions to closing is either satisfied or waived. In deciding whether or not to object to the transaction, regulatory agencies have broad discretion in administering the applicable governing regulations. As a condition to their approval of the transaction, these agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of our business after consummation of the transaction. These requirements, limitations, costs, divestitures or restrictions may reduce the anticipated benefits of the transaction or affect our results of operations after the closing of the transaction. Further, we can provide no assurance that we will obtain the necessary approvals or that any such conditions that are imposed would not diminish the anticipated benefits of the transaction or result in the termination of the transaction. In the event that the transaction is not completed due to the failure to obtain antitrust clearance, we could be required to pay Rite Aid a termination fee of \$325 million or \$650 million in certain circumstances.

While our acquisition of Rite Aid is pending, it creates uncertainty that may adversely affect our business and results of operations, including with respect to our relationships with suppliers, payers, customers and other third parties with which we do business. Further, we have incurred and will continue to incur significant costs, expenses and fees for professional services and other transaction costs in connection with the pending transaction, as well as the diversion of management resources, for which we will receive little or no benefit if the closing of the transaction does not occur.

If we complete our pending acquisition of Rite Aid, we may not realize the anticipated benefits of the transaction which could adversely impact our results of operations.

We entered into the Merger Agreement with the expectation that the transaction will result in various benefits, including, among other things, cost savings and operating efficiencies. The achievement of the anticipated benefits of the transaction is subject to a number of uncertainties, including whether Rite Aid's business can be integrated into ours in an efficient and effective manner. If the Rite Aid transaction is completed, we can provide no assurance that the anticipated benefits of the transaction, including cost savings and synergies, will be fully realized in the time frame anticipated or at all; the costs or difficulties related to the integration of Rite Aid's business and operations into ours will not be greater than expected; unanticipated costs, charges and expenses will not result from the transaction; litigation relating to the transaction will not be filed; we will be able to retain key personnel; and the transaction will not cause disruption to the parties'

business and operations and relationships with employees and suppliers, payers, customers and other third parties with which we do business. If one or more of these risks are realized, it could have a material adverse impact on our operating results.

The anticipated strategic and financial benefits of our acquisition of Alliance Boots may not be realized.

Walgreens and Alliance Boots entered into the Purchase and Option Agreement dated June 18, 2012, as amended on August 5, 2014 (as amended, the “Purchase and Option Agreement”), and consummated the first and second step transactions contemplated thereby, with the expectation that the transactions would result in various benefits including, among other things, procurement cost savings and operating efficiencies, revenue synergies, increased innovation, sharing of best practices, and a strengthened market position that may serve as a platform for future growth. The processes and initiatives needed to achieve these potential benefits are complex, costly, and time consuming, and we have not previously completed a transaction comparable in size or scope. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately. Achieving the expected benefits of the Alliance Boots transaction is subject to a number of significant challenges and uncertainties, including, without limitation, whether unique corporate cultures will work collaboratively in an efficient and effective manner, the coordination of geographically separate organizations, the possibility of faulty assumptions underlying expectations regarding potential synergies and the integration process, unforeseen expenses or delays, and competitive factors in the marketplace.

Prior to the Alliance Boots acquisition on December 31, 2014, Alliance Boots was a privately-held company and was not subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended and other federal securities laws, and the compliance obligations of the Sarbanes-Oxley Act of 2002. Compliance with these new obligations as a result of Alliance Boots becoming a part of a public company has required and may continue to require significant resources and management attention, and any failure to comply could have a material adverse effect on us. In addition, some current and prospective employees may experience uncertainty about their roles within the combined company, which may adversely affect our ability to retain or recruit key managers and other employees. We could also encounter unforeseen transaction and integration-related costs or other circumstances, such as unforeseen liabilities or other issues existing or arising with respect to the business of Alliance Boots or otherwise resulting from the transaction. Many of these potential circumstances are outside of our control and any of them could result in increased costs, decreased revenue, decreased synergies and the diversion of management time and attention. If we are unable to achieve our objectives within the anticipated time frame, or at all, the expected benefits may not be realized fully or at all, or may take longer to realize than expected, which could have a material adverse impact on our business operations, financial condition and results of operations. In addition, we have incurred significant transaction costs related to the acquisition and have incurred and will continue to incur integration and related costs as we integrate the Alliance Boots businesses. These integration and acquisition-related costs, including legal, accounting, financial and tax advisory and other fees and costs, may be higher than expected and some of these costs may be material.

Our operations outside of the United States subject us to a number of operating, economic, political, regulatory and other international business risks.

Together with our equity method investments, we had a presence in over 25 countries as of August 31, 2015. The strategic combination with Alliance Boots in December 2014 greatly increased the importance of international business to our operations, growth and prospects as, historically, substantially all of Walgreens' business operations had been conducted within the United States and its territories. A substantial portion of Alliance Boots' revenues are generated in the European Union and neighboring countries, and substantially all of Alliance Boots' revenues are generated outside the United States. Our international business operations are subject to a number of risks, including:

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

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

Our significant operations outside of the United States also expose us to currency exchange rate fluctuations and related risks, including transaction currency exposures relating to the import and export of goods in currencies other than businesses' functional currencies as well as currency translation exposures relating to profits and net assets denominated in currencies other than the U.S. dollar. We present our financial statements in U.S. dollars and, since the completion of the strategic combination with Alliance Boots in December 2014, have had a significant proportion of net assets and income in non-U.S. dollar currencies, primarily British Pounds Sterling and the Euro, as well as a range of emerging market currencies. Our results of operations and capital ratios can therefore be sensitive to movements in foreign exchange rates. Due to the constantly changing currency exposures to which we are subject and the volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon our future results of operations. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations. A depreciation of non-U.S. dollar currencies relative to the U.S. dollar could have a significant adverse impact on our results of operations.

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

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

In April 2015, our Board of Directors approved a plan to implement the Cost Transformation Program described in MD&A in Part II, Item 7 below as part of an initiative to reduce costs and increase operating efficiencies. There can be no assurance that we will realize, in full or in part, the anticipated benefits of this program. Our financial goals assume a level of productivity improvement, including those reflected in our Cost Transformation Program and other business optimization initiatives. If we are unable to deliver these expected productivity improvements, while continuing to invest in business growth, our financial results could be adversely impacted. Our ability to successfully manage and execute these initiatives and realize expected savings and benefits in the amounts and at the times anticipated is important to our business success. Any failure to do so, which could result from our inability to successfully execute plans, changes in global or regional economic conditions, competition, changes in the industries in which we compete, unanticipated costs or charges, loss of key personnel and other factors described herein, could have a material adverse effect on our businesses, financial condition and results of operations.

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

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

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

On March 19, 2013, Walgreens, Alliance Boots and AmerisourceBergen announced various agreements and arrangements, including a ten-year pharmaceutical distribution agreement between Walgreens and AmerisourceBergen pursuant to which Walgreens sources branded and generic pharmaceutical products from AmerisourceBergen; an agreement which provides AmerisourceBergen the ability to access generics and related pharmaceutical products through WBAD, a global sourcing enterprise established by Walgreens and Alliance Boots; and agreements and arrangements pursuant to which we have the right, but not the obligation, to purchase a minority equity position in AmerisourceBergen and gain associated representation on AmerisourceBergen's board of directors in certain circumstances. As of the date of this report, AmerisourceBergen distributes for our Retail Pharmacy USA division all branded pharmaceutical products that Walgreens historically sourced from suppliers and distributors as well as substantially all generic pharmaceutical products that Walgreens previously self-distributed. Consequently, our business in the United States may be adversely affected by any operational, financial or regulatory difficulties that AmerisourceBergen experiences. For example, if AmerisourceBergen's operations are seriously disrupted for any reason, whether due to a natural disaster, labor disruption, regulatory action, computer or operational systems or otherwise, it could adversely affect our business in the United States and our results of operations.

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

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

Walgreens entered into the arrangement with AmerisourceBergen and Alliance Boots with the expectation that the transactions contemplated thereby would result in various benefits including, among other things, procurement cost savings and operating efficiencies, innovation and sharing of best practices. The processes and initiatives needed to achieve these potential benefits are complex, costly and time-consuming. Many of the anticipated synergies and expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. Achieving the anticipated benefits from the arrangement is subject to a number of significant challenges and uncertainties, including the possibility of faulty assumptions underlying expectations, processes or initiatives, or the inability to realize and/or delays in realizing potential benefits and synergies, whether unique corporate cultures of separate organizations will work collaboratively in an efficient and effective manner, unforeseen expenses or delays, and competitive factors in the marketplace.

In addition, we have the right, but not the obligation, under the transactions contemplated by the Framework Agreement dated as of March 18, 2013 by and among the Company, Alliance Boots and AmerisourceBergen (the "Framework Agreement") to invest in the equity of AmerisourceBergen. There can be no assurance that we will complete any specific level of such potential equity investments in AmerisourceBergen, or exercise our warrants to acquire AmerisourceBergen common stock when they are exercisable, or that if completed, that such investments will ultimately be profitable. If such investments are completed and the price of AmerisourceBergen common stock subsequently declines substantially, we could experience a loss on or impairment of such investment, which could adversely affect our financial condition and results of operations. We could also encounter unforeseen costs, circumstances or issues existing or arising with respect to the transactions and collaboration we anticipate resulting from the Framework Agreement. Many of these potential circumstances are outside of our control and any of them could result in increased costs, decreased revenue, decreased synergies and the diversion of management time and attention. If we are unable to achieve our objectives within the anticipated time frame, or at all, the expected benefits may not be realized fully or at all, or may take longer to realize than expected, which could have a material adverse impact on our business operations, financial condition and results of operations.

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

From time to time, we make debt or equity investments in other companies that we may not control or over which we may not have sole control. For example, while we beneficially own approximately 5% of the outstanding common stock and have a designee serving on the board of directors of AmerisourceBergen, we do not and will not have the ability to control day-to-day operations of that company. Although the businesses in which we have made non-controlling investments often have a significant health and daily living or prescription drug component, some of them operate in businesses that are different from our primary lines of business and/or operate in different geographic markets than we do. Investments in these businesses, among other risks, subject us to the operating and financial risks of the businesses we invest in and to the risk that we do not have sole control over the operations of these businesses.

From time to time, we may make additional investments in or acquire other entities that may subject us to similar risks. The completion of the Second Step Transaction increased our and our stockholders' effective interest in certain equity method investments and other investments of Alliance Boots over which Alliance Boots does not exercise control. We rely on the internal controls and financial reporting controls of these entities and their failure to maintain effectiveness or comply with applicable standards may materially and adversely affect us. Investments in entities over which we do not have sole control, including joint ventures and strategic alliances, present additional risks such as having differing objectives from our partners or the entities in which we are invested, becoming involved in disputes, or competing with those persons.

Changes in economic conditions could adversely affect consumer buying practices.

Our performance has been, and may continue to be, adversely impacted by changes in global, national, regional or local economic conditions and consumer confidence. These conditions can also adversely affect our key vendors and customers. External factors that affect consumer confidence and over which we exercise no influence include unemployment rates, levels of personal disposable income, and global, national, regional or local economic conditions, as well as acts of war or terrorism. Changes in economic conditions and consumer confidence could adversely affect consumer preferences, purchasing power and spending patterns, which could lead to a decrease in overall consumer spending. In addition, reduced or flat consumer spending may drive us and our competitors to offer additional products at promotional prices. All of these factors could materially and adversely impact our business operations, financial condition and results of operations.

European economic conditions together with austerity measures being taken by certain European governments could adversely affect us.

The acquisition of Alliance Boots significantly increased our assets and operations within Europe and, accordingly, our exposure to economic conditions in Europe. A further slowdown within the European economy could affect our businesses in Europe by reducing the prices our customers may be able or willing to pay for our products and services or by reducing the demand for our products and services, either of which could result in a material adverse impact on our results of operations. In addition, in many European countries, the government provides or subsidizes healthcare to consumers and regulates pharmaceutical prices, patient eligibility, and reimbursement levels to control costs for the government-sponsored healthcare system. In recent years, in response to the economic environment and financial crisis in Europe, a number of European governments have announced or implemented austerity measures to reduce healthcare spending and constrain overall government expenditures. These measures, which include efforts aimed at reforming healthcare coverage and reducing healthcare costs, continue to exert pressure on the pricing of and reimbursement timelines for pharmaceutical drugs. Countries with existing austerity measures may impose additional laws, regulations, or requirements on the healthcare industry. In addition, European governments that have not yet imposed austerity measures may impose them in the future. Any new austerity measures may be similar to or vary in scope and nature from existing austerity measures and could have a material adverse effect on our international business operations and results of operations.

The industries in which we operate are highly competitive.

The level of competition among retail pharmacies and pharmaceutical wholesalers is high. Changes in market dynamics or actions of competitors or manufacturers, including industry consolidation and the emergence of new competitors, could materially and adversely impact us. Our retail pharmacy businesses face intense competition from local, regional, national and global companies, including other drugstore and pharmacy chains, independent drugstores and pharmacies, mail-order prescription providers and various other retailers such as grocery stores, convenience stores, mass merchants, online and omni-channel pharmacies and retailers, warehouse clubs, dollar stores and other discount merchandisers, some of which are aggressively expanding in markets we serve. Businesses in our Pharmaceutical Wholesale division face intense competition from direct competitors, including national and regional cooperative wholesalers, and alternative supply sources such as importers and manufacturers who supply directly to pharmacies. Competition may also come from other sources in the future. As competition increases in the markets in which we operate, a significant increase in general pricing pressures could occur, which could require us to reevaluate our pricing structures to remain competitive. For example, if we are not able to anticipate and successfully respond to changes in market conditions in our pharmaceutical wholesale division, including changes driven by competitors, suppliers or manufacturers, it could result in a loss of customers or renewal of contracts or arrangements on less favorable terms. Any failure to anticipate and timely and appropriately respond to evolving market conditions could result in decreased revenue and have a material adverse effect on our results of operations.

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

We could be adversely affected by changes in consumer spending levels and shopping habits and preferences, including attitudes towards our retail and product brands. The success of our retail pharmacy businesses depends on our ability to offer a superior shopping experience, a quality assortment of available merchandise, and superior customer service. We must identify, obtain supplies of, and offer to our customers attractive, innovative and high-quality merchandise on a continuous basis. Our products and services must satisfy the needs and desires of our customers, whose preferences may change in the future. It is difficult to predict consistently and successfully the products and services our customers will demand. If we misjudge either the demand for products and services we sell or our customers' purchasing habits and tastes, we may be faced with excess inventories of some products and missed opportunities for products and services we chose not to offer. In addition, our sales may decline or we may be required to sell the merchandise we have obtained at lower prices. Failure to timely identify or effectively respond to changing consumer tastes, preferences and spending patterns could negatively affect our relationship with our customers and the demand for our products and services, which could materially and adversely impact our results of operations.

Our private brand offerings expose us to various additional risks.

In addition to brand name products, we offer our customers private brand products that are not available from other retailers. We seek to continue to grow our exclusive private brand offerings as part of our growth strategy, including through the expanded offering of Boots No7 and other brands owned or licensed on an exclusive basis, as well as through selective acquisitions. Maintaining consistent product quality, competitive pricing, and availability of our private brand offerings for our customers is important in differentiating us from other retailers and developing and maintaining customer loyalty. Although we believe that our private brand products offer value to our customers and typically provide us with higher gross margins than comparable national brand products we sell, the expansion of our private brand offerings also subjects us to additional risks, such as potential product liability risks and mandatory or voluntary product recalls; our ability to successfully protect our proprietary rights and successfully navigate and avoid claims related to the proprietary rights of third parties; our ability to successfully administer and comply with applicable contractual obligations and regulatory requirements; and other risks generally encountered by entities that source, sell and market exclusive branded offerings for retail. An increase in sales of our private brands may also adversely affect sales of our vendors' products, which, in turn, could adversely affect our relationship with certain of our vendors. Any failure to adequately address some or all of these risks could have a material adverse effect on our business operations, results of operations and financial condition.

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

Our business has evolved from an in-store experience to interaction with customers across numerous channels, including in-store, online, mobile and social media, among others. Omni-channel retailing is rapidly evolving and we must keep pace with changing customer expectations and new developments by our competitors. Our customers are increasingly using computers, tablets, mobile phones, and other devices to comparison shop, determine product availability and complete purchases online. We must compete by offering a consistent and convenient shopping experience for our customers regardless of the ultimate sales channel and by investing in, providing and maintaining digital tools for our customers that have the right features and are reliable and easy to use. If we are unable to make, improve, or develop relevant customer-facing technology in a timely manner, our ability to compete and our results of operations could be materially and adversely affected. In addition, if our online activities or our other customer-facing technology systems do not function as designed, we may experience a loss of customer confidence, data security breaches, lost sales, or be exposed to fraudulent purchases, any of which could materially and adversely affect our business operations, reputation and results of operations.

We may be constrained if we are unable to find suitable new store locations at acceptable prices or by the terms of our current leases.

Our ability to grow our retail pharmacy businesses may be constrained if suitable new store locations cannot be identified with lease terms or purchase prices that are acceptable to us. We compete with other retailers and businesses for suitable locations for our stores. Local land use and other regulations applicable to the types of stores we desire to construct may impact our ability to find suitable locations and influence the cost of constructing our stores. The termination or expiration of leases at existing store locations may adversely affect us if the renewal terms of those leases are unacceptable to us and we are forced to close or relocate stores. Further, changing local demographics at existing store locations may adversely affect revenue and profitability levels at those stores.

We may experience a significant disruption in our computer systems.

We rely extensively on our computer systems to manage our ordering, pricing, point-of-sale, pharmacy fulfillment, inventory replenishment, customer loyalty programs, finance and other processes. Our systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, vandalism, natural disasters, catastrophic events and human error, and our disaster recovery planning cannot account for all eventualities. If any of our systems are damaged, fail to function properly or otherwise become unavailable, we may incur substantial costs to repair or replace them, and may experience loss or corruption of critical data and interruptions or delays in our ability to perform critical functions, which could adversely affect our businesses and results of operations. In addition, we are currently making, and expect to continue to make, substantial investments in our information technology systems and infrastructure, some of which are significant. Upgrades involve replacing existing systems with successor systems, making changes to existing systems, or cost-effectively acquiring new systems with new functionality. Implementing new systems carries significant potential risks, including failure to operate as designed, potential loss or corruption of data or information, cost overruns, implementation delays, disruption of operations, and the potential inability to meet business and reporting requirements. While we are aware of inherent risks associated with replacing these systems and believe we are taking reasonable action to mitigate known risks, there can be no assurance that these technology initiatives will be deployed as planned or that they will be timely implemented without disruption to our operations. We also could be adversely affected by any significant disruption in the systems of key payers or vendors.

If we do not maintain the privacy and security of sensitive customer and business information, we could damage our reputation, suffer a loss of revenue, incur substantial additional costs and become subject to litigation.

The protection of customer, employee, and company data is critical to our businesses. Cybersecurity and other information technology security risks, such as a significant breach of customer, employee, or company data, could attract a substantial amount of media attention, damage our customer relationships and reputation, and result in lost sales, fines or lawsuits. Throughout our operations, we receive, retain and transmit certain personal information that our customers and others provide to purchase products or services, fill prescriptions, enroll in promotional programs, participate in our customer loyalty programs, register on our websites, or otherwise communicate and interact with us. In addition, aspects of our operations depend upon the secure transmission of confidential information over public networks. Although we deploy a layered approach to address information security threats and vulnerabilities designed to protect confidential information against data security breaches, a compromise of our data security systems or of those of businesses with whom we interact, which results in confidential information being accessed, obtained, damaged or used by unauthorized or improper persons, could harm our reputation and expose us to regulatory actions and claims from customers, financial institutions, payment card associations and other persons, any of which could materially and adversely affect our business operations, financial condition and results of operations. In addition, a security breach could require that we expend substantial additional resources related to the security of information systems and disrupt our businesses.

The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and changing requirements across businesses. We are required to comply with increasingly complex and changing data privacy regulations in the United States and in other countries in which we operate that regulate the collection, use and transfer of personal data, including the transfer of personal data between or among countries. Some foreign data privacy regulations are more stringent than those in the United States. We may also face audits or investigations by one or more domestic or foreign government agencies relating to our compliance with these regulations. Compliance with changes in privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes. If we or those with whom we share information fail to comply with these laws and regulations or experience a data security breach, our reputation could be damaged and we could be subject to additional litigation and regulatory risks. Our security measures may be undermined due to the actions of outside parties, employee error, malfeasance, or otherwise, and, as a result, an unauthorized party may obtain access to our data systems and misappropriate business and personal information. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation, and potentially have a material adverse effect on our business operations, financial condition and results of operations.

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

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

Our growth strategy is partially dependent upon acquisitions, joint ventures and other strategic investments, some of which may not prove to be successful.

We have grown, in part, through acquisitions in recent years and expect to continue to acquire or invest in businesses that build on or are deemed complementary to our existing businesses or further our growth strategies. Acquisitions involve numerous risks, including difficulties in integrating the operations and personnel of the acquired companies, distraction of management from overseeing, and disruption of, our existing operations, difficulties in entering markets or lines of business in which we have no or limited direct prior experience, the possible loss of key employees and customers, and difficulties in achieving the synergies we anticipated. Any failure to select suitable acquisitions at fair prices, conduct appropriate due diligence and successfully integrate the acquired company, including particularly when acquired businesses operate in new geographic markets or areas of business, could materially and adversely impact our financial condition and results of operations. These transactions may also cause us to significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition or investment, issue common stock that would dilute our current stockholders' percentage ownership, or incur asset write-offs and restructuring costs and other related expenses.

Acquisitions, joint ventures and strategic investments involve numerous other risks, including potential exposure to unknown liabilities, as well as undetected internal control, regulatory or other issues, or additional costs not anticipated at the time the transaction was completed. No assurance can be given that our acquisitions, joint ventures and other strategic investments will be successful and will not materially adversely affect our business operations, financial condition or results of operations.

Changes in healthcare regulatory environments may adversely affect our businesses.

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

The ACA was enacted in 2010 to provide health insurance coverage to millions of previously uninsured Americans through a combination of insurance market reforms, an expansion of Medicaid, subsidies and health insurance mandates. While certain provisions of the ACA have already taken effect, others have delayed effective dates or require further rulemaking action or regulatory guidance by governmental agencies to implement and/or finalize. As a result, there remains considerable uncertainty as to the full impact of ACA on our business operations. Future rulemaking or other regulatory actions under the ACA or otherwise could increase regulation of pharmacy services, result in changes to pharmacy reimbursement rates, and otherwise change the way we do business. We cannot predict the timing or impact of any future rulemaking or other regulatory actions, but any such actions could have a material adverse impact on our results of operations.

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

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

Changes in laws, regulations and policies and the related interpretations may alter the landscape in which we do business and may affect our costs of doing business. The impact of new laws, regulations and policies generally cannot be predicted, and changes in applicable laws, regulations and policies may require extensive system and operational changes, be difficult to implement, increase our operating costs and require significant capital expenditures. Untimely compliance or noncompliance with applicable laws and regulations could result in the imposition of civil and criminal penalties that could adversely affect the continued operation of our businesses, including: suspension of payments from government programs; loss of required government certifications; loss of authorizations to participate in or exclusion from government programs, including the Medicare and Medicaid programs in the United States; loss of licenses; and significant fines or monetary penalties. Any failure to comply with applicable regulatory requirements in the United States or in any of the countries in which we operate could result in significant legal and financial exposure, damage our reputation, and have a material adverse effect on our business operations, financial condition and results of operations.

We could be adversely affected by product liability, product recall or personal injury issues.

We could be adversely impacted by the supply of defective products, including the infiltration of counterfeit products into the supply chain, errors in re-labelling of products, product tampering, product recall and contamination or product mishandling issues. Through our pharmacies, we are also exposed to risks relating to the services we provide. Errors in the dispensing and packaging of pharmaceuticals could lead to serious injury or death. Product liability or personal injury claims may be asserted against us with respect to any of the products or pharmaceuticals we sell or services we provide. Our healthcare clinics also increase our exposure to professional liability claims related to medical care. Should a product or other liability issue arise, the coverage limits under our insurance programs and the indemnification amounts available to us may not be adequate to protect us against claims. We also may not be able to maintain this insurance on acceptable terms in the future. Damage to our reputation in the event of a product liability or personal injury issue or judgment against us or a product recall could have a material adverse effect on our business operations, financial condition and results of operations.

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

We have outstanding debt and other financial obligations and significant unused borrowing capacity. As of August 31, 2015, we had approximately \$14.4 billion of outstanding indebtedness, including short-term borrowings. Our debt level and related debt service obligations could have negative consequences, including:

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

We may incur or assume significantly more debt in the future, including in connection with acquisitions, strategic investments or joint ventures. For example, we incurred significant additional debt in connection with the Second Step Transaction. Further, we intend to finance our pending acquisition of Rite Aid through a combination of cash on hand and debt financing. We have entered into a bridge facility commitment letter and expect to obtain permanent financing to replace such bridge facility prior to the closing of the transaction, but cannot guarantee that we will obtain such permanent financing on terms that are acceptable to us or at all. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 below and Note 21, Subsequent Event, to our Consolidated Financial Statements in Part II, Item 8 below. If we add new debt and do not retire existing debt, the risks described above could increase. We also could be adversely impacted by any failure to renew or replace, on terms acceptable to us or at all, existing funding arrangements when they expire, and any failure to satisfy applicable covenants.

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

Our credit ratings and ability to access well-functioning capital markets are important to us.

Historically, we have relied on the public debt capital markets to fund portions of our capital investments and access to the commercial paper market and bank credit facilities as part of our working capital management strategy. Our continued access to these markets, and the terms of such access, depend on multiple factors including the condition of debt capital markets, our operating performance, and our credit ratings. The major credit rating agencies have assigned us and our corporate debt investment grade credit ratings. These ratings are based on a number of factors, which include their assessment of our financial strength and financial policies. We aim to maintain investment grade ratings as they serve to lower our borrowing costs and facilitate our access to a variety of lenders and other creditors, including landlords for our leased stores, on terms that we consider advantageous to our businesses. However, there can be no assurance that any particular rating assigned to us will remain in effect for any given period of time or that a rating will not be changed or withdrawn by a rating agency, if in that rating agency’s judgment, future circumstances relating to the basis of the rating so warrant. Incurrence of additional debt by us, including, if the pending acquisition of Rite Aid is completed, outstanding Rite Aid indebtedness we acquire upon closing and any additional debt we issue in connection with the financing of the transaction, could adversely affect our credit ratings. Any disruptions or turmoil in the capital markets or any downgrade of our credit ratings could adversely affect our cost of funds, liquidity, competitive position and access to capital markets, which could materially and adversely affect our business operations, financial condition, and results of operations.

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

Walgreens Boots Alliance is a holding company with no business operations of its own. Its only significant asset is the outstanding capital stock of its subsidiaries. As a result, it is dependent on funding from its subsidiaries, including Walgreens and Alliance Boots, to meet its obligations. Additionally, Walgreens Boots Alliance’s subsidiaries may be restricted in their ability to pay cash dividends or to make other distributions to Walgreens Boots Alliance, which may limit the payment of cash dividends or other distributions to the holders of Walgreens Boots Alliance common stock. Credit facilities and other debt obligations of Walgreens Boots Alliance, as well as statutory provisions, may further limit the ability of Walgreens Boots Alliance and its subsidiaries to pay dividends.

Our quarterly results may fluctuate significantly.

Our operating results have historically varied on a quarterly basis and may continue to fluctuate significantly in the future. Factors that may affect our quarterly operating results, some of which are beyond the control of management, include, but are not limited to, seasonality; the timing of the introduction of new generic and brand name prescription drugs; inflation, including with respect to generic drug procurement costs; the timing and severity of the cough, cold and flu season; changes in payer reimbursement rates and terms; fluctuations in inventory, energy, transportation, labor, healthcare and other costs; significant acquisitions, dispositions, joint ventures and other strategic initiatives; asset impairments; the relative magnitude of our LIFO provision in any particular quarter; fluctuations in the value of our warrants to acquire AmerisourceBergen common stock; foreign currency fluctuations; prolonged severe weather in key markets; and many of the other risk factors discussed herein. Accordingly, we believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and investors should not rely on the results of any particular quarter as an indication of our future performance.

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

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

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

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our businesses, including, but not limited to, revenue recognition, asset impairment, impairment of goodwill and other intangible assets, inventories, vendor rebates and other vendor consideration, lease obligations, self-insurance liabilities, tax matters, unclaimed property laws and litigation and other contingent liabilities are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported or expected financial performance or financial condition. For example, changes in accounting standards and the application of existing accounting standards particularly related to the measurement of fair value as compared to carrying value for the Company's reporting units, including goodwill, intangible assets and investments in equity interests, including investments held by our equity method investees, may have an adverse effect on the Company's financial condition and results of operations. Factors that could lead to impairment of goodwill and intangible assets include significant adverse changes in the business climate and declines in the financial condition of a reporting unit. Factors that could lead to impairment of investments in equity interests of the companies in which we invested or the investments held by those companies include a prolonged period of decline in their operating performance or adverse changes in the economic, regulatory and legal environments of the countries they operate in. New accounting guidance also may require systems and other changes that could increase our operating costs and/or change our financial statements. For example, implementing future accounting guidance related to leases, revenue and other areas impacted by the current convergence project between the Financial Accounting Standards Board and the International Accounting Standards Board could require us to make significant changes to our lease management system or other accounting systems, and could result in adverse changes to our financial statements.

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

As of August 31, 2015, we had \$28.7 billion of goodwill and other intangible assets (based on the preliminary purchase accounting for the Alliance Boots acquisition), a significant increase over the \$3.5 billion of goodwill and other intangible assets we had as of August 31, 2014. We accounted for the Second Step Transaction using the purchase method of accounting in accordance with GAAP, with the purchase price paid allocated to recognize the acquired assets and liabilities at their fair value. At least annually, or whenever events or changes in circumstances indicate a potential impairment in the carrying value as defined by GAAP, we will evaluate this goodwill and other intangible assets for impairment by first assessing qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the reporting unit is less than the carrying amount. Estimated fair values could change if, for example, there are changes in the business climate, unanticipated changes in the competitive environment, adverse legal or regulatory actions or developments, changes in capital structure, cost of debt, interest rates, capital expenditure levels, operating cash flows, or market capitalization. Because of the significance of our goodwill and intangible assets, any future impairment of these assets could require material non-cash charges to our results of operations, which could have a material adverse effect on our financial condition and results of operations.

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

We operate in a highly regulated and litigious environment. We are involved in legal proceedings and subject to investigations, inspections, audits, inquiries and similar actions by governmental authorities arising in the course of our businesses, including those contained in Note 13, Commitments and Contingencies to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K. 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, we are also involved in legal proceedings as a plaintiff involving antitrust, tax, contract, intellectual property and other matters. We cannot predict with certainty the outcomes of these legal proceedings and other contingencies, and the costs incurred in litigation can be substantial, regardless of the outcome. Substantial unanticipated verdicts, fines and rulings do sometimes occur. As a result, we could from time to time incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid. The outcome of some of these legal proceedings and other contingencies could require us to take, or refrain from taking, actions which could negatively affect our operations. Additionally, defending against these lawsuits and proceedings may involve significant expense and diversion of management's attention and resources.

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

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

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

We are a large corporation with operations in the United States and numerous other jurisdictions around the world. As such, we are subject to tax laws and regulations of the United States federal, state and local governments as well as various foreign jurisdictions. We compute our income tax provision based on enacted tax rates in the jurisdictions in which we operate. As the tax rates vary among jurisdictions, a change in earnings attributable to the various jurisdictions in which we operate could result in an unfavorable change in our overall tax provision. From time to time, legislative initiatives are proposed that could adversely affect our tax positions, effective tax rate, tax payments or financial condition. In addition, tax laws are complex and subject to varying interpretations. Any change in enacted tax laws, rules or regulatory or judicial interpretations, any adverse outcome in connection with tax audits in any jurisdiction or any change in the pronouncements relating to accounting for income taxes could adversely affect our effective tax rate, tax payments and results of operations.

Our insurance programs may expose us to unexpected costs.

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

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

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

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

As of August 31, 2015, affiliates of Stefano Pessina, our Executive Vice Chairman and Chief Executive Officer (the “SP Investors”), and affiliates of Kohlberg Kravis Roberts & Co. L.P. (“KKR”, and together with certain of its affiliates, the “KKR Investors”) together had sole or shared voting power, directly or indirectly, over an aggregate of approximately 20.2% of our outstanding common stock, based on filings by such persons with the SEC. This total includes the approximately 12.8% of our outstanding common stock (as of August 31, 2015) held by Sprint Acquisitions Holdings Limited (f/k/a AB Acquisitions Holdings Limited) (“Sprint Acquisitions”), which is jointly controlled by Mr. Pessina (indirectly through controlled entities) and the KKR Investors, which could be distributed to the various shareholders of Sprint Acquisitions (including the SP Investors and the KKR Investors) in fiscal 2016 as described below. The SP Investors and the KKR Investors have agreed to, for so long as the SP Investors and the KKR Investors (as applicable) have the right to designate a nominee for election to the Board, to vote all of their shares of common stock in accordance with the Board’s recommendation on matters submitted to a vote of the Company’s stockholders (including with respect to the election of directors). Whether or not subject to these voting provisions, the SP Investors’ and/or the KKR Investors’ significant interest in our common stock potentially could determine the outcome of matters submitted to a vote by our stockholders. The influence of the SP Investors and/or the KKR Investors could result in our taking actions that other stockholders do not support or failing to take actions that other stockholders support. As a result, the market price of our common stock could be adversely affected.

Shares issued to Alliance Boots stockholders in connection with our strategic combination with Alliance Boots are or soon will be eligible for future sale.

In connection with our strategic combination with Alliance Boots, we issued a total of approximately 227.7 million shares of our common stock to former Alliance Boots shareholders. These shares represented approximately 20.9% of our outstanding shares as of August 31, 2015. We also entered into, on August 2, 2012, a shareholders agreement (the “Company Shareholders Agreement”) with certain of the SP Investors and the KKR Investors that imposed certain contractual restrictions that generally prohibited them from transferring these shares of our common stock for specified time periods. These transfer restrictions have now lapsed. However, unless the SP Investors and the KKR Investors have elected to put certain guarantees in place, the Purchase and Option Agreement prohibits Sprint Acquisitions from distributing more than 10% of the shares of our common stock it received on completion of the Second Step Transaction to its investors until December 31, 2015. Accordingly, subject to these provisions of the Purchase and Option Agreement and certain obligations pursuant to the Company Shareholders Agreement, these shares may now be sold pursuant to Rule 144 under the Securities Act of 1933, as amended (the “Securities Act”), depending on the holding period and subject to restrictions in the case of shares held by persons deemed to be our affiliates. The Company Shareholders Agreement also contains registration rights that would obligate us, in certain instances, to file future registration statements under the Securities Act covering resales of these shares or to permit a “piggyback” on a future registration statement. A sale, or the perception that a sale may occur, of a substantial number of shares of our common stock could adversely impact the market price of our common stock.

Conflicts of interest, or the appearance of conflicts of interest, may arise because certain of our directors and officers are also owners or directors of our largest stockholder.

As of August 31, 2015, Sprint Acquisitions was the holder of approximately 12.8% of our outstanding common stock. Sprint Acquisitions is jointly controlled by Stefano Pessina (indirectly through controlled entities) and the KKR Investors. Mr. Pessina is our Executive Vice Chairman and Chief Executive Officer, and Mr. Dominic Murphy is both a partner of KKR and one of our directors. Additionally, each of Marco Pagni, our Executive Vice President, Global Chief Legal and Administrative Officer, and Ornella Barra, our Executive Vice President, President and Chief Executive, Global Wholesale and International Retail, serves as a director of Sprint Acquisitions and/or its affiliates. This overlap could create, or appear to create, potential conflicts of interest, when our interests diverge with those of Sprint Acquisitions and/or its affiliates. For example, potential conflicts of interest could arise if a dispute were to arise between the Company and Sprint Acquisitions in connection with indemnification or other provisions of the Purchase and Option Agreement or the Company Shareholders Agreement. Potential conflicts of interest could also arise in connection with any current or future arrangements between the Company and Sprint Acquisitions or any of their respective affiliates. While our contractual arrangements place restrictions on the parties’ conduct in certain situations, and related party transactions are subject to independent review and approval in accordance with our related party transaction approval procedures and applicable law, the potential for a conflict of interest exists and such persons may have conflicts of interest, or the appearance of conflicts of interest, with respect to matters involving or affecting both companies.

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

Certain provisions of our certificate of incorporation and bylaws, as well as provisions of the Delaware General Corporation Law (the “DGCL”), could make it difficult for stockholders to change the composition of the Board or discourage, delay, or prevent a merger, consolidation, or acquisitions that stockholders may otherwise consider favorable. These provisions include the authorization of the issuance of “blank check” preferred stock that could be issued by the Board, limitations on the ability of stockholders to call special meetings, and advance notice requirements for nomination for election to the Board or for proposing matters that can be acted upon by stockholders at stockholder meetings. We are also subject to the provisions of Section 203 of the DGCL, which prohibits us, except under specified circumstances, from engaging in any mergers, significant sales of stock or assets, or business combinations with any stockholder or group of stockholders who own 15% or more of our common stock.

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

In addition, pursuant to an agreement (the “Nomination and Support Agreement”) with JANA Partners LLC (“JANA”) whereby, among other things, Barry Rosenstein of JANA was appointed to the Board, JANA and its affiliates and controlled associates are subject to certain standstill restrictions until the date that is 15 days after Mr. Rosenstein is no longer a member of the Board (subject to certain conditions and limitations). These standstill restrictions include, among other things, that JANA and its affiliates and controlled associates will vote their shares in favor of all incumbent directors nominated by the Board and in accordance with the recommendations of the Board on other matters, other than certain matters specified in the Nomination and Support Agreement.

While these provisions do not make us immune from takeovers or changes in the composition of the Board, and are intended to protect our stockholders from, among other things, coercive or otherwise unfair tactics, these provisions could have the effect of making it difficult for stockholders to change the composition of the Board or discouraging, delaying, or preventing a merger, consolidation, or acquisitions that stockholders may otherwise consider favorable. See also the risk factor captioned “Certain stockholders may have significant voting influence over matters requiring stockholder approval” above.

The market price of our common stock may be volatile.

The market price of shares of our common stock may be volatile. Broad general economic, political, market and industry factors may adversely affect the market price of the shares, regardless of our actual operating performance. In addition to the other risk factors identified in this Item 1A, factors that could cause fluctuations in the price of the shares include:

- actual or anticipated variations in quarterly operating results and the results of competitors;
- changes in financial estimates by Walgreens Boots Alliance or by any securities analysts that might cover Walgreens Boots Alliance;
- conditions or trends in the industry, including regulatory changes or changes in the securities marketplace;
- announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- additions or departures of key personnel; and
- issuances or sales of Walgreens Boots Alliance common stock, including sales of shares by its directors and officers or its key investors, including the SP Investors and the KKR Investors.

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

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

- If we are unsuccessful in establishing effective advertising, marketing and promotional programs, our sales or sales margins could be negatively affected.
- Our operating costs may be subject to increases outside the control of our businesses, whether due to inflation, new or increased taxes, adverse fluctuations in foreign currency exchange rates, changes in market conditions or otherwise.
- Our success depends on our continued ability to attract and retain store and management and professional personnel, and the loss of key personnel could have an adverse effect on the results of our operations, financial condition or cash flow.
- Natural disasters, civil unrest, severe weather conditions, terrorist activities, global political and economic developments, war, health epidemics or pandemics or the prospect of these events can impact our operations or damage our facilities in affected areas or have an adverse impact on consumer confidence levels and spending on our products and services.
- The long-term effects of climate change on general economic conditions and the pharmacy industry in particular are unclear, and changes in the supply, demand or available sources of energy and the regulatory and other costs associated with energy production and delivery may affect the availability or cost of goods and services, including natural resources, necessary to run our businesses.
- If negative publicity, even if unwarranted, related to safety or quality, human and workplace rights, or other issues damage our brand image and corporate reputation, or that of our vendors or strategic allies, our businesses may suffer.

Item 1B. Unresolved Staff Comments

There are no unresolved written comments that were received from the SEC Staff 180 days or more before the end of our fiscal year relating to our periodic or current reports under the Securities Exchange Act of 1934.

Item 2. Properties

Our Retail Pharmacy USA division operated 8,173 retail store locations and 7 specialty pharmacy locations. Our Retail Pharmacy International division operated 4,582 retail store locations. In addition our Retail Pharmacy International division also owned or leased 423 Boots Opticians locations. Our domestic and international retail locations, which includes Boots Opticians and specialty pharmacy locations, covered approximately 111 million square feet. We owned approximately 15% and 5% of these Retail Pharmacy USA division and Retail Pharmacy International division locations, respectively. The remaining locations are leased or licensed. The leases are for various terms and periods. See Note 5, Leases to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

The following is a breakdown of our retail stores:

	Retail Stores
Retail Pharmacy USA:	
United States	8,051
Puerto Rico	121
U.S. Virgin Islands	1
Total Retail Pharmacy USA	8,173
Retail Pharmacy International:	
United Kingdom	2,510
Mexico	1,028
Chile	451
Thailand	261
Norway	161
Ireland	80
The Netherlands	66
Lithuania	25
Total Retail Pharmacy International	4,582
Total	12,755

[Table of Contents](#)

We have 26 retail distribution centers with a total of approximately 13 million square feet of space, of which ten locations were owned. The remaining space was leased. Seventeen of these retail distribution centers were located in the United States and nine were located outside of the United States. In addition, we use public warehouses and third party distributors to handle certain retail distribution needs. Our Retail Pharmacy USA division also operated two prescription mail service facilities containing a total of approximately 237 thousand square feet, one of which was leased. We operated 302 pharmaceutical distribution centers located outside of the United States, primarily in Europe, and containing approximately 13 million square feet, of which 119 locations were owned. These pharmaceutical distribution centers were operated by our Pharmaceutical Wholesale division, which supply our third party customers as well as our Retail Pharmacy International division in certain countries.

We operated 36 principal office facilities containing approximately three million square feet, of which 11 locations were owned. Seven of these facilities are located in the United States.

We also own or lease 11 shopping malls and various other administrative facilities located in the countries in which we operate, which contained approximately one million square feet.

All of the foregoing information regarding our properties is as of August 31, 2015 and does not include properties of unconsolidated partially owned entities.

Item 3. Legal Proceedings

The information in response to this item is included in Note 13, Commitments and Contingencies, to our Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following table sets forth, for each person currently serving as an executive officer of the Company, the name, age (as of October 15, 2015) and office(s) held by such person.

Name	Age	Office(s) Held
James A. Skinner	70	Executive Chairman of the Board
Stefano Pessina	74	Executive Vice Chairman and Chief Executive Officer
Ornella Barra	61	Executive Vice President, President and Chief Executive of Global Wholesale and International Retail
George R. Fairweather	58	Executive Vice President and Global Chief Financial Officer
Alexander W. Gourlay	55	Executive Vice President, President of Walgreen Co.
Ken Murphy	49	Executive Vice President, President of Global Brands
Marco Pagni	53	Executive Vice President, Global Chief Legal and Administrative Officer
Jan Stern Reed	55	Senior Vice President, General Counsel and Corporate Secretary
Simon Roberts	44	Executive Vice President, President of Boots
Kimberly R. Scardino	44	Senior Vice President, Global Controller and Chief Accounting Officer
Kathleen Wilson-Thompson	58	Executive Vice President and Global Chief Human Resources Officer

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

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

[Table of Contents](#)

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

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

Mr. Fairweather has served as Executive Vice President and Global Chief Financial Officer since February 2015 and served as Principal Accounting Officer from February 2015 to August 2015. Previously, he served as Group Finance Director of Alliance Boots since its formation in July 2006. He joined Alliance UniChem in the same position in 2002 and later led the financial integration during the merger with Boots Group. Previously, he was Group Finance Director of Elementis (joining when it was Harrisons and Crosfield) and before that, Group Finance Director of Dawson International. Mr. Fairweather served as a director of Alliance Boots until February 2015.

Mr. Gourlay has served as Executive Vice President, President of Walgreen Co. since December 2014. Previously, he served as Executive Vice President, President of Customer Experience and Daily Living of Walgreens from October 2013 to December 2014 and President Elect of Walgreens from September 2014 to December 2014. He served as Chief Executive of the Health & Beauty Division, Alliance Boots, from January 2009 to September 2013, and previously was Managing Director of Boots UK and a member of the Alliance Boots operating committee following the acquisition of Alliance Boots by Sprint Acquisitions in 2007. He served as a director of Alliance Boots from January 2009 to September 2013.

Mr. Murphy has served as Executive Vice President, President of Global Brands since December 2014. Previously, he served as Managing Director, Health & Beauty, International and Brands at Alliance Boots from August 2013 to December 2014 and joint Chief Operating Officer for Boots in the UK and Republic of Ireland. Prior to this, Mr. Murphy had held the positions of Commercial Director for Boots UK and Group Business Transformation Director for Alliance Boots, where he led the integration of Alliance UniChem and Boots Group in 2006 following the merger of the two companies.

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

Ms. Reed has served as Senior Vice President, General Counsel and Corporate Secretary since February 2015. She also serves as Senior Vice President, General Counsel and Secretary of Walgreens, a position she has held since October 2014. Ms. Reed joined Walgreens in 2013 as Corporate Vice President and Deputy General Counsel. Previously, she served as Executive Vice President of Human Resources, General Counsel and Corporate Secretary at Solo Cup Company from December 2004 to September 2012, and prior to that as Associate General Counsel, Chief Governance Officer and Corporate Secretary at Baxter International Inc. She has served as a director of Stepan Company, a producer of specialty and intermediate chemicals, since 2015.

Mr. Roberts has served as Executive Vice President, President of Boots since December 2014. Previously, he served as Managing Director, Health & Beauty UK and Republic of Ireland at Alliance Boots from August 2013 to December 2014 and joint Chief Operating Officer for Boots in the UK and Republic of Ireland. Mr. Roberts joined Boots as Regional Director of the South Region in 2003. Additionally, he spent the first 15 years of his career at Marks and Spencer in a number of store, regional, and divisional leadership roles across the UK.

Ms. Scardino has served as Senior Vice President, Global Controller and Chief Accounting Officer since August 2015. Previously, she served American Express Company and its subsidiaries in roles of increasing responsibility, including as Senior Vice President, Business Advisory Controller from March 2015 to July 2015, Senior Vice President, Americas Controller from June 2012 to March 2015, Vice President and Chief Accounting Officer of American Express Credit Corp. from December 2009 to June 2012, and Vice President, Global Head of SOX Compliance. Prior to joining American Express in 2006, Ms. Scardino served in accounting functions at Credit Suisse from 2004 to 2006 and at Lyondell Chemical Company from 2002 to 2004. Ms. Scardino started her career at Arthur Andersen LLP, where she was an auditor from 1994 to 2002.

Ms. Wilson-Thompson has served as Executive Vice President and Global Chief Human Resources Officer since December 2014. Previously, she served as Senior Vice President and Chief Human Resources Officer of Walgreens from January 2010 to December 2014. Prior to that, she served in a variety of legal and operational positions at Kellogg Company, most recently as Senior Vice President, Global Human Resources from July 2005 to December 2009. She has served as a director of Vulcan Materials Company, a producer of construction aggregates, since 2009.

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

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Walgreens Boots Alliance's common stock is listed on the NASDAQ Stock Market under the symbol WBA. As of August 31, 2015, there were approximately 70,250 holders of record of Walgreens Boots Alliance common stock.

The following table sets forth the sales price ranges of our common stock by quarter during the fiscal years ended August 31, 2015 and August 31, 2014 as reported by the Consolidated Transaction Reporting System.

		Quarter Ended				
		November	February	May	August	Fiscal Year
Fiscal 2015	High	\$ 69.37	\$ 83.77	\$ 93.42	\$ 97.30	\$ 97.30
	Low	58.39	66.46	81.01	76.01	58.39
Fiscal 2014	High	\$ 60.93	\$ 69.84	\$ 71.97	\$ 76.39	\$ 76.39
	Low	48.18	54.86	62.80	57.75	48.18

Our cash dividends per common share declared during the two fiscal years ended August 31 were as follows:

Quarter Ended	2015	2014
November	\$ 0.3375	\$ 0.3150
February	0.3375	0.3150
May	0.3375	0.3150
August	0.3600	0.3375
	<u>\$ 1.3725</u>	<u>\$ 1.2825</u>

We have paid cash dividends every quarter since 1933. Future dividends will be determined based on our earnings, capital requirements, financial condition and other factors considered relevant by our Board of Directors.

The following table provides information about purchases by us during the quarter ended August 31, 2015 of equity securities that are registered by us 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, among other types of transactions and arrangements.

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Programs (1)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Program (1)
6/1/15 - 6/30/15	-	\$ -	-	\$ 2,668,592,799
7/1/15 - 7/31/15	1,122,731	95.72	1,122,731	2,561,121,823
8/1/15 - 8/31/15	3,033,429	94.65	3,033,429	2,274,004,086
Total	4,156,160	\$ 94.94	4,156,160	\$ 2,274,004,086

- (1) In August 2014, our Board of Directors approved the 2014 share repurchase program which authorizes the purchase of up to \$3.0 billion of our common stock prior to its expiration on August 31, 2016.

Item 6. Selected Financial Data

Five-Year Summary of Selected Consolidated Financial Data

Walgreens Boots Alliance, Inc. and Subsidiaries
(Dollars in Millions, except per share amounts)

Fiscal Year	2015	2014	2013	2012	2011
Net sales	\$ 103,444	\$ 76,392	\$ 72,217	\$ 71,633	\$ 72,184
Cost of sales	76,520	54,823	51,098	51,291	51,692
Gross Profit	26,924	21,569	21,119	20,342	20,492
Selling, general and administrative expenses	22,571	17,992	17,543	16,878	16,561
Gain on sale of business ⁽¹⁾	-	-	20	-	434
Equity earnings in Alliance Boots ⁽²⁾	315	617	496	-	-
Operating Income	4,668	4,194	4,092	3,464	4,365
Gain on previously held equity interest ⁽³⁾	563	-	-	-	-
Other income (expense) ⁽⁴⁾	685	(481)	120	-	-
Earnings Before Interest and Income Tax Provision	5,916	3,713	4,212	3,464	4,365
Interest expense, net	605	156	165	88	71
Earnings Before Income Tax Provision	5,311	3,557	4,047	3,376	4,294
Income tax provision	1,056	1,526	1,499	1,249	1,580
Post tax earnings from equity method investments	24	-	-	-	-
Net Earnings	4,279	2,031	2,548	2,127	2,714
Net earnings attributable to noncontrolling interests	59	99	-	-	-
Net Earnings attributable to Walgreens Boots Alliance, Inc.	\$ 4,220	\$ 1,932	\$ 2,548	\$ 2,127	\$ 2,714
Per Common Share					
Net earnings					
Basic	\$ 4.05	\$ 2.03	\$ 2.69	\$ 2.43	\$ 2.97
Diluted	4.00	2.00	2.67	2.42	2.94
Dividends declared	1.37	1.28	1.14	0.95	0.75
Balance Sheet					
Total Assets	\$ 68,782	\$ 37,250	\$ 35,632	\$ 33,453	\$ 27,446
Long-term debt	13,315	3,716	4,451	4,066	2,387
Total Walgreens Boots Alliance, Inc. Shareholders' Equity	30,861	20,513	19,558	18,236	14,847
Noncontrolling interests	439	104	-	-	-
Total Equity	31,300	20,617	19,558	18,236	14,847

- (1) In fiscal 2011, the Company sold its pharmacy benefit management business, Walgreens Health Initiatives, Inc., to Catalyst Health Solutions, Inc. and recorded a pre-tax gain of \$434 million. In fiscal 2013, the Company recorded an additional pre-tax gain of \$20 million relating to a client retention escrow.
- (2) On August 2, 2012, the Company completed the acquisition of 45% of the issued and outstanding share capital of Alliance Boots GmbH (Alliance Boots) in exchange for cash and Company shares. The Company accounted for this investment under the equity method until the completion of the Second Step Transaction on December 31, 2014. As a result, fiscal 2015 includes the results of Alliance Boots for eight months (January through August 2015) on a fully consolidated basis and four months (September through December 2014) as equity earnings in Alliance Boots reflecting Walgreens' pre-closing 45 percent interest.
- (3) In fiscal 2015, as a result of acquiring the remaining 55% interest in Alliance Boots, our previously held 45% interest was remeasured to fair value, resulting in a gain of \$563 million.
- (4) In fiscal 2014, the Company recognized a non-cash loss of \$866 million related to the amendment and exercise of the Alliance Boots call option to acquire the remaining 55% share capital of Alliance Boots. In addition, in fiscal 2015, 2014 and 2013, the Company recorded pre-tax income of \$779 million, \$385 million and \$120 million, respectively, from fair value adjustments of the AmerisourceBergen warrants and the amortization of the deferred credit associated with the initial value of the warrants. Fiscal 2015 also includes a \$94 million loss on derivative contracts that were not designated as accounting hedges.

Item 7. 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. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under "Cautionary Note Regarding Forward-Looking Statements" below and in "Risk Factors" in Part I, Item 1A of this Form 10-K. References herein to the "Company", "we", "us", or "our" refer to Walgreens Boots Alliance, Inc. and its subsidiaries from and after the effective time of the Reorganization on December 31, 2014 and, prior to that time, to its predecessor Walgreen Co. and its subsidiaries, and in each case do not include unconsolidated partially-owned entities, except as otherwise indicated or the context otherwise requires.

OVERVIEW

On December 31, 2014, Walgreens Boots Alliance, Inc. became the successor of Walgreen Co. pursuant to a merger to effect a reorganization of Walgreens into a holding company structure, 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 purposes of the Reorganization, and each issued and outstanding share of Walgreens common stock was converted into one share of Walgreens Boots Alliance common stock. Walgreens Boots Alliance, as successor to Walgreens, replaced Walgreens as the publicly-held corporation.

On December 31, 2014, following the completion of the Reorganization, Walgreens Boots Alliance completed the acquisition of the remaining 55% of Alliance Boots GmbH that Walgreens did not previously own in exchange for £3.133 billion (\$4.874 billion) in cash and approximately 144.3 million shares of Walgreens Boots Alliance common stock pursuant to the Purchase and Option Agreement. Walgreens previously had acquired, on August 2, 2012, a 45% equity interest in Alliance Boots along with a call option to acquire the remaining 55% equity interest in Alliance Boots in exchange for \$4.025 billion in cash and approximately 83.4 million shares of Walgreens common stock.

Prior to the completion of the Second Step Transaction, we accounted for our 45% investment in Alliance Boots using the equity method of accounting. Investments accounted for under the equity method are recorded initially at cost and subsequently adjusted for our share of the net income or loss and cash contributions and distributions to or from these entities. Net income reported by Alliance Boots during this period was translated from British Pounds Sterling at the average rate for the period. Upon completion of the Second Step Transaction, Alliance Boots became a consolidated subsidiary and ceased being accounted for under the equity method. 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.

RECENT DEVELOPMENT

On October 27, 2015, the Company entered into the Merger Agreement with Rite Aid, pursuant to which the Company agreed to acquire Rite Aid, a drugstore chain in the United States with 4,561 stores in 31 states and the District of Columbia as of August 29, 2015. On the terms and subject to the conditions set forth in the Merger Agreement, Rite Aid will become a wholly-owned subsidiary of the Company and Rite Aid stockholders will be entitled to receive \$9.00 in cash for each outstanding share of Rite Aid common stock, for a total enterprise value of approximately \$17.2 billion, including acquired net debt. The transaction is expected to close in the second half of calendar 2016, subject to Rite Aid stockholder approval, regulatory approvals and other customary closing conditions.

We intend to finance the transaction through a combination of cash on hand and debt financing. Concurrently with the signing of the Merger Agreement, the Company entered into a bridge facility commitment letter (the "Commitment Letter"), dated October 27, 2015, with UBS Securities LLC and UBS AG, Stamford Branch for a \$12.8 billion senior unsecured bridge facility (the "Facility"). The Facility, if funded, will mature 364 days after the initial borrowings; provided that the Company can extend up to \$3.0 billion of the Facility for an additional 90 day period if desired. The interest rate applicable to borrowings under the Facility will be LIBOR or the applicable base rate plus a margin. The financing commitments of the lenders are subject to certain customary conditions set forth in the Commitment Letter. We expect to obtain permanent financing for the transaction prior to the closing date, which would replace the Facility.

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 for the Company. Historically, Walgreens 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 WBAD 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 the Company 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, the Company now reports 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. The Company has determined that it is impracticable to allocate historical results to the current segmental presentation.

The completion of the Second Step Transaction on December 31, 2014 also means that results for fiscal 2015 include the results of Alliance Boots for eight months (January through August 2015) on a fully consolidated basis and four months (September through December 2014) as equity income from Walgreen's pre-closing 45 percent interest.

The Company's balance sheet reflects the full consolidation of Alliance Boots assets and liabilities as a result of the close of the combination on December 31, 2014. The Company's purchase accounting remains preliminary as contemplated by GAAP and, as a result, there may be upon further review future changes to the value, as well as allocation, of the acquired assets and liabilities, associated amortization expense, goodwill and the gain on the previously held equity interest. These changes may be material.

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

In addition, the Company's sales are affected by a number of factors including, among others, our sales performance during holiday periods and during the cough, cold and flu season, significant weather conditions, timing of our own or competitor discount programs and pricing actions, levels of reimbursement from

governmental agencies and other third party health providers and general economic conditions in the markets in which we operate.

AMERISOURCEBERGEN CORPORATION RELATIONSHIP

On March 19, 2013, Walgreens, Alliance Boots and AmerisourceBergen announced various agreements and arrangements, including a ten-year pharmaceutical distribution agreement between Walgreens and AmerisourceBergen pursuant to which branded and generic pharmaceutical products are sourced from AmerisourceBergen in the U.S.; an agreement which provides AmerisourceBergen the ability to access generics and related pharmaceutical products through WBAD, a global sourcing enterprise formed by Walgreens and Alliance Boots; and agreements and arrangements pursuant to which we have the right, but not the obligation, to purchase a minority equity position in AmerisourceBergen 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. At August 31, 2015, the Company owned approximately 5.2% of the outstanding common shares in AmerisourceBergen and had designated one member of AmerisourceBergen's Board of Directors.

RESTRUCTURING PROGRAMS

On April 8, 2015, the 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 division, 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.

We incurred pre-tax charges of \$542 million (\$223 million related to asset impairment charges, \$202 million in real estate costs and \$117 million in severance and other business transition and exit costs) related to the Cost Transformation Program in fiscal 2015. The majority of the charges incurred in fiscal 2015 related to activities within the Retail Pharmacy USA division but also included activities within Retail Pharmacy International. All charges related to the Cost Transformation Program have been recorded within selling, general and administrative expenses. We closed 84 stores in the United States related to the Cost Transformation Program in fiscal 2015.

On March 24, 2014, the Board of Directors approved a plan to close underperforming stores in efforts to optimize and focus resources within our Retail Pharmacy USA operations in a manner intended to increase shareholder value. As of August 31, 2015, we have closed 68 locations, one of which was closed in fiscal 2015. In fiscal 2015, we incurred total pre-tax charges related to this plan of \$17 million primarily related to lease termination costs. In fiscal 2014, we incurred pre-tax charges of \$209 million (\$137 million from lease termination costs, \$71 million from asset impairments and \$1 million of other charges). All charges related to this plan have been recorded within selling, general and administrative expenses. We expect to incur no additional costs related to this plan.

[Table of Contents](#)

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

	Retail Pharmacy		Pharmaceutical	Consolidated
	USA	International	Wholesale	
Fiscal 2015				
Asset impairments	\$ 216	\$ 7	\$ -	\$ 223
Real estate costs	219	-	-	219
Severance and other business transition and exit costs	105	12	-	117
Total restructuring costs	540	19	-	559
Fiscal 2014				
Real estate costs	\$ 137	\$ -	\$ -	\$ 137
Asset impairments	71	-	-	71
Severance and other business transition and exit costs	1	-	-	1
Total restructuring costs	209	-	-	209

As the program is implemented, the restructuring charges will be recognized as the costs are incurred over time in accordance with GAAP. See Note 19, Segment Reporting, to the Consolidated Financial Statements for additional information.

The amounts and timing of all estimates are subject to change. 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 Company for fiscal 2015, 2014 and 2013. All periods have been recast to reflect the removal of the three-month reporting lag applied to reporting equity earnings in Alliance Boots prior to December 31, 2014. Additionally, as a result of the completion of the Second Step Transaction, Alliance Boots became a consolidated subsidiary and the Company ceased recording equity earnings in Alliance Boots on December 31, 2014. As a result, fiscal 2015 includes the results of Alliance Boots for eight months (January through August 2015) on a fully consolidated basis and four months (September through December 2014) as equity earnings in Alliance Boots reflecting Walgreens’ pre-closing 45 percent interest.

	(in millions, except per share amounts)		
	2015	2014	2013
Net sales	\$ 103,444	\$ 76,392	\$ 72,217
Gross Profit	26,924	21,569	21,119
Selling, general and administrative expenses	22,571	17,992	17,543
Operating Income	4,668	4,194	4,092
Adjusted Operating Income (Non-GAAP measure) (1)	6,157	4,866	4,828
Earnings Before Interest and Income Tax Provision	5,916	3,713	4,212
Net Earnings Attributable to Walgreens Boots Alliance, Inc.	4,220	1,932	2,548
Adjusted Net Earnings Attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) (1)	4,085	3,170	3,103
Net Earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted	4.00	2.00	2.67
Adjusted Net Earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (Non-GAAP measure) (1)	3.88	3.28	3.25

	Percentage Increases/(Decreases)		
	2015	2014	2013
Net sales	35.4	5.8	0.8
Gross Profit	24.8	2.1	3.8
Selling, general and administrative expenses	25.5	2.6	3.9
Operating Income	11.3	2.5	18.1
Adjusted Operating Income (Non-GAAP measure) (1)	26.5	0.8	17.8
Earnings Before Interest and Income Tax Provision	59.3	(11.8)	21.6
Net Earnings Attributable to Walgreens Boots Alliance, Inc.	118.4	(24.2)	19.8
Adjusted Net Earnings Attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) (1)	28.9	2.2	21.0
Net Earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted	100.0	(25.1)	10.3
Adjusted Net Earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (Non-GAAP measure) (1)	18.3	0.9	10.9

	Percent to Net Sales		
	2015	2014	2013
Gross Margin	26.0	28.2	29.3
Selling, general and administrative expenses	21.8	23.6	24.3

(1) See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with generally accepted accounting principles in the United States ("GAAP").

WALGREENS BOOTS ALLIANCE RESULTS OF OPERATIONS

Fiscal 2015 compared to fiscal 2014

Our results for fiscal 2015 as compared to fiscal 2014 are primarily impacted by the Second Step Transaction which resulted in the full consolidation of Alliance Boots results of operations beginning December 31, 2014. For fiscal 2015, the full consolidation of Alliance Boots operations increased our net sales by 29.4%, gross profit by 23.6%, selling general and administrative expenses by 24.1 % and operating income by 18.5%, each as compared to fiscal 2014.

Net earnings attributable to Walgreens Boots Alliance, Inc. for fiscal 2015 were \$4.2 billion, or \$4.00 per diluted share as compared to \$1.9 billion, or \$2.00 per diluted share in fiscal 2014. The increase in net earnings per diluted share for fiscal 2015 as compared to fiscal 2014, was primarily attributable to the full consolidation of Alliance Boots operations from January through August 2015, a gain on our 45% previously held equity interest in Alliance Boots, increased sales in our Retail Pharmacy USA division, increased income from our warrants to acquire AmerisourceBergen common stock and a lower effective income tax rate. These increases were partially offset by lower Retail Pharmacy USA gross margins and a higher interest expense.

As a result of acquiring the remaining 55% interest in Alliance Boots on December 31, 2014, our previously held 45% interest was remeasured to fair value, resulting in a gain of \$563 million in fiscal 2015. The fair value of the previously held equity interest in Alliance Boots was determined using the income approach methodology. The fair value measurement of the previously held equity interest is based on significant inputs not observable in the market. The fair value estimates for the previously held equity interest are based on (a) projected discounted cash flows, (b) historical and projected financial information, and (c) synergies including cost savings, as relevant, that market participants would consider when estimating the fair value of the previously held equity interest in Alliance Boots. See Note 8, Acquisitions, to the Consolidated Financial Statements for additional information.

Other income (expense) for fiscal 2015 was income of \$685 million as compared to expense of \$481 million in fiscal 2014. The change in fair value of our AmerisourceBergen warrants resulted in recording income of \$759 million and \$366 million in fiscal 2015 and 2014, respectively. The increase in fair value was primarily attributed to the change in the price of AmerisourceBergen's common stock. In addition, we recorded \$20 million and \$19 million in fiscal 2015 and 2014, respectively, of other income relating to the amortization of the deferred credit associated with the initial value of the Walgreens warrants. We have also recorded a loss of \$94 million in fiscal 2015 on derivative contracts that were not designated as accounting hedges. The 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. Fiscal 2014 results also included a loss of \$866 million related to the Alliance Boots call option. Upon the amendment and immediate exercise of the call option to acquire the remaining 55% ownership of Alliance Boots, we were required to compare the fair value of the amended option with the book value of the original option. The fair value of the amended option was estimated to be zero based on its valuation as a financial instrument without regard for its strategic value. The reduction in value was primarily due to the shorter duration of the amended option and the appreciation since the original valuation in the price of Walgreens stock used as partial consideration for the purchase of the remaining 55% ownership interest in Alliance Boots.

[Table of Contents](#)

Interest was a net expense of \$605 million and \$156 million in fiscal 2015 and 2014, respectively. The increase in fiscal 2015 interest expense 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. Additionally, in fiscal 2015 we repaid a portion of our long-term debt in advance of its maturity resulting in additional net interest expense of \$99 million.

The effective tax rate for fiscal 2015 and 2014 was 19.9% and 42.9%, respectively. The decrease in the fiscal 2015 effective tax rate as compared to fiscal 2014 is primarily attributable to recording discrete tax benefits related to previously unrecognized capital loss deferred tax assets as a result of recognizing capital gain income from fiscal 2015 and anticipated future period sale-leaseback transactions. In addition, as a result of our acquisition of the remaining 55% interest in Alliance Boots that we did not previously own, our annual effective tax rate decreased due to incremental foreign source income taxed at lower rates and additional favorable permanent book-tax differences. Also as a result of the acquisition, we recognized a non-recurring tax benefit that also lowered our annual effective tax rate. In addition, we recognized other, net discrete tax benefits in the current fiscal year.

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

Adjusted net earnings per diluted share for fiscal 2015 was \$3.88, an increase of 18.3% from \$3.28 in fiscal 2014. The increase in adjusted net earnings per diluted share in fiscal 2015 was primarily attributable to the full consolidation of Alliance Boots operations from January through August 2015, increased sales and lower selling, general and administrative expenses as a percentage of sales in our Retail Pharmacy USA division and a lower effective income tax rate. These increases were partially offset by lower Retail Pharmacy USA gross margins and a higher interest expense. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Fiscal 2014 compared to fiscal 2013

Net earnings attributable to Walgreens Boots Alliance, Inc. for fiscal 2014 were \$1.9 billion or \$2.00 per diluted share as compared to \$2.5 billion, or \$2.67 per diluted share in fiscal 2013. The decrease in fiscal 2014 net earnings per diluted share as compared to fiscal 2013 was primarily attributable to lower gross margins in our Retail Pharmacy USA division, a loss related to the Alliance Boots call option and a higher effective tax rate, partially offset by higher sales, lower selling, general and administrative expenses as a percentage of sales, increased equity earnings in Alliance Boots and increased gains on fair market value adjustments related to our AmerisourceBergen warrants.

Other income (expense) for the fiscal 2014 was expense of \$481 million as compared to income of \$120 million in fiscal 2013. Fiscal 2014 results include a loss of \$866 million related to the Alliance Boots call option. The change in fair value of our AmerisourceBergen warrants resulted in recording income of \$366 million and \$111 million in fiscal 2014 and 2013, respectively. The increase in fair value was primarily attributed to the change in the price of AmerisourceBergen's common stock. In addition, we recorded \$19 million and \$9 million in fiscal 2014 and 2013, respectively, of other income relating to the amortization of the deferred credit associated with the initial value of the Walgreens warrants.

Interest was a net expense of \$156 million and \$165 million in fiscal 2014 and 2013, respectively. The decrease in fiscal 2014 interest expense as compared to fiscal 2013 was due to the repayment of notes that matured in fiscal 2014 partially offset by higher interest charges related to incremental capital and finance lease obligations.

The effective tax rate for fiscal 2014 and 2013 was 42.9% and 37.0%, respectively. The increase in the fiscal 2014 effective tax rate as compared to fiscal 2013 was primarily attributable to the loss associated with the Company's option to purchase the remaining equity interest in Alliance Boots, which did not generate a tax benefit in fiscal 2014, partially offset by the favorable impact of additional foreign source income taxed at lower rates.

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

Adjusted net earnings per diluted share for fiscal 2014 were \$3.28 compared to \$3.25 in fiscal 2013. The increase in adjusted net earnings per diluted share for the fiscal 2014 as compared to fiscal 2013 was primarily attributed to higher sales, lower selling, general and administrative expenses as a percentage of sales, and increased equity earnings in Alliance Boots, partially offset by lower gross margins in our Retail Pharmacy USA division. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

RESULTS OF OPERATIONS BY SEGMENT

Retail Pharmacy USA

All periods have been recasted for removal of the three-month reporting lag previously applied to reporting equity earnings in Alliance Boots. Additionally, 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, fiscal 2015 includes equity earnings in Alliance Boots from September 1, 2014 through December 31, 2014.

	(in millions, except location amounts)		
	2015	2014	2013
Total Sales	\$ 80,974	\$ 76,392	\$ 72,217
Gross Profit	21,822	21,569	21,119
Selling, general and administrative expenses	18,247	17,992	17,543
Operating Income	3,890	4,194	4,092
Adjusted Operating Income (Non-GAAP measure) (1)	5,098	4,866	4,828
Number of Prescriptions (2)	723	699	683
30 Day Equivalent Prescriptions (2)(3)	894	856	821
Number of Locations at period end (4)	8,182	8,309	8,582

	Percentage Increases/(Decreases)		
	2015	2014	2013
Total Sales	6.0	5.8	0.8
Gross Profit	1.2	2.1	3.8
Selling, general and administrative expenses	1.4	2.6	3.9
Operating Income	(7.2)	2.5	18.1
Adjusted Operating Income (Non-GAAP measure) (1)	4.8	0.8	17.8
Comparable Drugstore Sales	6.4	4.9	(1.3)
Pharmacy Sales	8.2	7.9	0.4
Comparable Pharmacy Sales	9.3	6.8	(1.7)
Retail Sales	1.9	2.1	1.5
Comparable Retail Sales	1.5	2.0	(0.7)
Comparable Number of Prescriptions (2)	3.5	1.8	1.1
Comparable 30 Day Equivalent Prescriptions (2)(3)	4.6	3.9	3.2

	Percent to Total Sales		
	2015	2014	2013
Gross Margin	26.9	28.2	29.3
Selling, general and administrative expenses	22.5	23.6	24.3

- (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) Locations in 2013 include worksite health and wellness centers, which were part of the Take Care Employer business in which we sold a majority interest in fiscal 2014. Locations in 2014 include infusion and respiratory service facilities in which we sold a majority interest in fiscal 2015.

Sales fiscal 2015 compared to fiscal 2014

The Retail Pharmacy USA division's total sales for fiscal 2015 increased by 6.0% to \$81.0 billion. Total sales increased primarily due to higher comparable store sales, which were up 6.4% in fiscal 2015. Comparable drugstores 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. We operated 8,182 locations (8,173 drugstores) as of August 31, 2015, compared to 8,309 locations (8,207 drugstores) a year earlier. Prior year's locations included 91 infusion and respiratory services facilities in which we sold a majority interest in fiscal 2015.

[Table of Contents](#)

Pharmacy sales increased by 8.2% in fiscal 2015 and represented 66.1% of the division's total sales. In fiscal 2014, pharmacy sales were up 7.9% and represented 64.2% of the division's total sales. Comparable pharmacy sales increased 9.3% in fiscal 2015 compared to an increase of 6.8% in fiscal 2014. The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced prescription sales by 1.8% in fiscal 2015 versus a reduction of 1.3% in fiscal 2014. The effect of generics on division total sales was a reduction of 1.0% in fiscal 2015 compared to a reduction of 0.7% for fiscal 2014. Third party sales, where reimbursement is received from managed care organizations, governmental agencies, employers or private insurers, were 96.8% of prescription sales for fiscal 2015 compared to 96.5% for fiscal 2014. The total number of prescriptions (including immunizations) filled in fiscal 2015 was approximately 723 million compared to 699 million in fiscal 2014. Prescriptions (including immunizations) adjusted to 30 day equivalents were 894 million in fiscal 2015 versus 856 million in fiscal 2014.

Retail sales increased 1.9% in fiscal 2015 and were 33.9% of the division's total sales. In comparison, fiscal 2014 retail sales increased 2.1% and comprised 35.8% of the division's total sales. Comparable retail sales increased 1.5% in fiscal 2015 compared to an increase of 2.0% in fiscal 2014. The increase in comparable retail sales in fiscal 2015 as compared to fiscal 2014 was primarily attributed to an increase in basket size partially offset by lower customer traffic.

Operating Income fiscal 2015 compared to fiscal 2014

Retail Pharmacy USA division's operating income for fiscal 2015 decreased 7.2% to \$3.9 billion. The decrease is primarily due to having equity earnings in Alliance Boots for four months in the current year versus twelve months in the comparable period and current year costs related to the Cost Transformation Program.

Gross margin as a percent of total sales was 26.9% in fiscal 2015 compared to 28.2% in fiscal 2014. Pharmacy margins were negatively impacted in the current fiscal year by lower third-party reimbursements; an increase in Medicare Part D mix including the strategy to continue driving 90-day prescriptions at retail; and the mix of specialty drugs, which carry a lower margin percentage. The decrease in pharmacy margins was partially offset by additional brand-to-generic drug conversions compared with the prior fiscal year. Retail margins were positively impacted in fiscal 2015 primarily from the non-prescription drug, beauty and beverage and snack categories partially offset by the electronics category.

Selling, general and administrative expenses as a percentage of total sales were 22.5% in fiscal 2015 compared to 23.6% in fiscal 2014. As a percentage of total sales, expenses in fiscal 2015 were lower primarily due to store labor efficiencies partially offset by higher costs related to the Cost Transformation Program.

Adjusted Operating Income (Non-GAAP measure) fiscal 2015 compared to fiscal 2014

Retail Pharmacy USA division's adjusted operating income for fiscal 2015 increased 4.8% to \$5.1 billion. The increase is primarily due to higher sales and lower selling, general and administrative expenses as a percentage of sales partially offset by having four months of equity earnings in Alliance Boots in fiscal 2015 versus twelve months in fiscal 2014 and lower gross margins. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Sales fiscal 2014 compared to fiscal 2013

The Retail Pharmacy USA division's total sales for fiscal 2014 increased by 5.8% to \$76.4 billion. Total sales increased from new stores, each of which includes an indeterminate amount of market-driven price changes, and higher comparable store sales. Sales in comparable drugstores were up 4.9% in fiscal 2014 compared to a decrease of 1.3% in fiscal 2013. We operated 8,309 locations (8,207 drugstores) as of August 31, 2014, compared to 8,582 locations (8,116 drugstores) at August 31, 2013. Included in fiscal 2013 locations were 371 worksite health and wellness centers, which were part of the Take Care Employer business in which we sold a majority interest in fiscal 2014.

Pharmacy sales increased by 7.9% in fiscal 2014 and represented 64.2% of the division's total sales. In fiscal 2013, pharmacy sales were up 0.4% and represented 62.9% of the division's total sales. Comparable pharmacy sales were up 6.8% in fiscal 2014 compared to a decrease of 1.7% in fiscal 2013. The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced prescription sales by 1.3% in fiscal 2014 versus a reduction of 5.3% in fiscal 2013. The effect of generics on division total sales was a reduction of 0.7% in fiscal 2014 compared to a reduction of 3.0% for fiscal 2013. Third party sales, where reimbursement is received from managed care organizations, governmental agencies, employers or private insurers, were 96.5% of prescription sales for fiscal 2014 compared to 95.8% for fiscal 2013. The total number of prescriptions (including immunizations) filled in fiscal 2014 was approximately 699 million compared to 683 million in fiscal 2013. Prescriptions (including immunizations) adjusted to 30 day equivalents were 856 million in fiscal 2014 versus 821 million in fiscal 2013.

[Table of Contents](#)

Retail sales increased 2.1% in fiscal 2014 and were 35.8% of the division's total sales. In comparison, fiscal 2013 retail sales increased 1.5% and comprised 37.1% of the division's total sales. Comparable retail sales increased 2.0% in fiscal 2014 compared to a decrease of 0.7% in fiscal 2013. The increase in comparable retail sales in fiscal 2014 as compared to fiscal 2013 was primarily attributed to an increase in basket size partially offset by lower customer traffic.

Operating Income fiscal 2014 compared to fiscal 2013

Retail Pharmacy USA division's operating income for fiscal 2014 was \$4.2 billion, an increase of 2.5% compared to fiscal 2013. The increase is primarily due to higher sales and increased equity earnings in Alliance Boots, partially offset by lower gross margins.

Gross margin as a percent of total sales was 28.2% in fiscal 2014, compared to 29.3% in fiscal 2013. Gross margin in fiscal 2014 was negatively impacted by lower retail pharmacy margins primarily from lower third-party reimbursement; the increase in Medicare Part D mix and the strategy to continue driving 90-day prescriptions at retail; fewer brand-to-generic drug conversions compared with the prior year period; generic drug inflation on a subset of generic drugs; and the mix of specialty drugs, which carry a lower margin percentage. Retail margins were negatively impacted in the photofinishing, non-prescription drug and convenience and fresh foods categories. Pharmacy and retail margin decreases were partially offset by purchasing synergies realized from WBAD and a lower provision for LIFO in fiscal 2014.

Selling, general and administrative expenses were 23.6% of total sales in fiscal 2014, compared to 24.3% of total sales in fiscal 2013. As a percentage of total sales, expenses were lower primarily due to lower store compensation costs, store occupancy costs and headquarters costs, partially offset by costs related to our store optimization plan.

Adjusted Operating Income (Non-GAAP measure) fiscal 2014 compared to fiscal 2013

Retail Pharmacy USA division's adjusted operating income for fiscal 2014 was \$4.9 billion, an increase of 0.8% compared to fiscal 2013. The increase is primarily due to higher sales and lower selling, general and administrative expenses as a percent of sales partially offset by lower gross margins. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Retail Pharmacy International

	(in millions)		
	2015	2014	2013
Total Sales	\$ 8,781	NA	NA
Gross Profit	3,623	NA	NA
Selling, general and administrative expenses	3,214	NA	NA
Operating Income	409	NA	NA
Adjusted Operating Income (Non-GAAP measure) (1)	616	NA	NA

	Percent to Total Sales		
	2015	2014	2013
Gross Margin	41.3	NA	NA
Selling, general and administrative expenses	36.6	NA	NA

NA Not applicable

(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. Because the results of Alliance Boots have been fully consolidated only since December 31, 2014 and the businesses that comprise the Retail Pharmacy International division are legacy Alliance Boots businesses, this segment had no comparable prior period financial results and no discussion of comparability can be presented.

Pharmaceutical Wholesale

	(in millions)		
	2015	2014	2013
Total Sales	\$ 15,327	NA	NA
Gross Profit	1,486	NA	NA
Selling, general and administrative expenses	1,110	NA	NA
Operating Income	376	NA	NA
Adjusted Operating Income (Non-GAAP measure) (1)	450	NA	NA

	Percent to Total Sales		
	2015	2014	2013
Gross Margin	9.7	NA	NA
Selling, general and administrative expenses	7.2	NA	NA

NA Not applicable

(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 Segment were acquired as part of the Second Step Transaction. Because the results of Alliance Boots have been fully consolidated only since December 31, 2014 and the businesses that comprise the Pharmaceutical Wholesale division are legacy Alliance Boots businesses, this segment had no comparable prior period financial results and no discussion of comparability can be 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, Inc., which are non-GAAP financial measures as defined under SEC rules, to the most directly comparable financial measures calculated and presented in accordance with GAAP. The Company has 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 management has evaluated the Company's 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 the Company's business from period to period and trends in the Company's historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented.

	(in millions)				
	2015				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 3,890	\$ 409	\$ 376	\$ (7)	\$ 4,668
Cost transformation	523	19	-	-	542
Acquisition-related amortization (1)	260	188	67	-	515
LIFO provision	285	-	-	-	285
Asset impairment	110	-	-	-	110
Acquisition-related costs	80	-	7	-	87
Store closures and other optimization costs	56	-	-	-	56
Loss on sale of business	17	-	-	-	17
Increase in fair market value of warrants	(123)	-	-	-	(123)
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 5,098</u>	<u>\$ 616</u>	<u>\$ 450</u>	<u>\$ (7)</u>	<u>\$ 6,157</u>

(1) Includes \$106 million (Retail Pharmacy International \$100 million and Pharmaceutical Wholesale \$6 million) of inventory fair value adjustment. No additional fair value adjustment related to the inventory step-up is expected in future periods.

(in millions)					
2014					
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 4,194	\$ -	\$ -	\$ -	\$ 4,194
Acquisition-related amortization	364	-	-	-	364
Store closures and other optimization costs	271	-	-	-	271
LIFO provision	132	-	-	-	132
Acquisition-related costs	82	-	-	-	82
Increase in fair market value of warrants	(168)	-	-	-	(168)
Gain on sale of business	(9)	-	-	-	(9)
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 4,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,866</u>

(in millions)					
2013					
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 4,092	\$ -	\$ -	\$ -	\$ 4,092
Acquisition-related amortization	394	-	-	-	394
LIFO provision	239	-	-	-	239
Acquisition-related costs	96	-	-	-	96
Hurricane Sandy costs	39	-	-	-	39
DEA settlement costs	28	-	-	-	28
Distributor transition costs	13	-	-	-	13
Increase in fair market value of warrants	(53)	-	-	-	(53)
Gain on sale of business	(20)	-	-	-	(20)
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 4,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,828</u>

	2015	2014	2013
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 4,220	\$ 1,932	\$ 2,548
Alliance Boots call option loss	-	866	-
Acquisition-related amortization	367	238	255
Cost transformation	338	-	-
LIFO provision	178	86	151
Transaction foreign currency hedging loss	166	-	-
Asset impairment	69	-	-
Alliance Boots equity method non-cash tax	71	180	152
Early debt extinguishment	62	-	-
Acquisition-related costs	54	54	60
Store closures and other optimization costs	35	179	-
Prefunded interest expense	26	-	-
Loss (gain) on sale of business	11	(6)	(13)
Gain on previously held equity interest	(671)	-	-
Increase in fair market value of warrants	(567)	(359)	(129)
Release of capital loss valuation allowance	(220)	-	-
Net investment hedging gain	(54)	-	-
DEA settlement costs	-	-	47
Hurricane Sandy costs	-	-	24
Distributor transition costs	-	-	8
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	<u>\$ 4,085</u>	<u>\$ 3,170</u>	<u>\$ 3,103</u>

	2015	2014	2013
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (GAAP)	\$ 4.00	\$ 2.00	\$ 2.67
Alliance Boots call option loss	-	0.90	-
Acquisition-related amortization	0.35	0.25	0.26
Cost transformation	0.32	-	-
LIFO provision	0.17	0.09	0.16
Transaction foreign currency hedging loss	0.16	-	-
Asset impairment	0.07	-	-
Alliance Boots equity method non-cash tax	0.07	0.18	0.16
Early debt extinguishment	0.06	-	-
Acquisition-related costs	0.05	0.06	0.06
Store closures and other optimization costs	0.03	0.18	-
Prefunded interest expense	0.03	-	-
Loss (gain) on sale of business	0.01	(0.01)	(0.01)
Gain on previously held equity interest	(0.64)	-	-
Increase in fair market value of warrants	(0.54)	(0.37)	(0.14)
Release of capital loss valuation allowance	(0.21)	-	-
Net investment hedging gain	(0.05)	-	-
DEA settlement costs	-	-	0.05
Hurricane Sandy costs	-	-	0.03
Distributor transition costs	-	-	0.01
Adjusted net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (Non-GAAP measure)	<u>\$ 3.88</u>	<u>\$ 3.28</u>	<u>\$ 3.25</u>

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$3.0 billion (including \$1.7 billion in foreign jurisdictions) as of August 31, 2015, compared to \$2.6 billion (including \$177 million in foreign jurisdictions) as of August 31, 2014. 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 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 was \$5.7 billion in fiscal 2015 compared to \$3.9 billion in fiscal 2014 and \$4.3 billion in fiscal 2013. The increase in fiscal 2015 cash provided by operating activities was primarily a result of higher net earnings as a result of the inclusion of Alliance Boots operations on a fully-consolidated basis from January to August and working capital improvements compared to the prior fiscal year.

[Table of Contents](#)

Net cash used for investing activities was \$4.3 billion in fiscal 2015 compared to \$1.7 billion in fiscal 2014 and \$2.0 billion in fiscal 2013. The acquisition of the remaining 55% of Alliance Boots that we did not previously own used \$4.5 billion of cash in fiscal 2015. Other business acquisitions in fiscal 2015 were \$371 million versus \$344 million in fiscal 2014 and \$630 million in fiscal 2013. Other business acquisitions in fiscal 2015 included Liz Earle Beauty Co. Ltd. in addition to other asset acquisitions, primarily pharmacy prescription files. Other business acquisitions in fiscal 2014 included the purchase of the U.S. regional drugstore chain Kerr Drug and affiliates and the purchase of pharmacy prescription files. Other business acquisitions in fiscal 2013 included the purchase of the regional drugstore chain USA Drug from Stephen L. LaFrance Holdings, Inc. and members of the LaFrance family, an 80% interest in Cystic Fibrosis Foundation Pharmacy, LLC, and the purchase of pharmacy prescription files.

Additions to property, plant and equipment in fiscal 2015 were \$1.3 billion compared to \$1.1 billion in fiscal 2014 and \$1.2 billion in fiscal 2013. Capital expenditures by reporting segment were as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Retail Pharmacy USA	\$ 951	\$ 1,106	\$ 1,212
Retail Pharmacy International (1)	249	-	-
Pharmaceutical Wholesale (1)	51	-	-
Total	<u>\$ 1,251</u>	<u>\$ 1,106</u>	<u>\$ 1,212</u>

(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 eight months (January through August 2015) of capital expenditures have been reported.

Our Retail Pharmacy USA segment opened, relocated or acquired 133 locations in fiscal 2015 compared to 268 locations in fiscal 2014 and 350 locations in fiscal 2013. Fiscal 2014 acquisitions included Kerr Drug, which contributed 76 drugstore locations as well as a specialty pharmacy and a distribution center. Fiscal 2013 acquisitions included the acquisition of 141 USA Drug locations. Significant Retail Pharmacy International capital expenditures in fiscal 2015 primarily relate to investments in our stores and information technology projects. Pharmaceutical Wholesale capital expenditures in fiscal 2015 primarily relate to information technology projects.

Additionally, investing activities for fiscal 2015 included proceeds related to sale-leaseback transactions and the sale of Walgreens Infusion Services of \$867 million and \$814 million, respectively. No AmerisourceBergen common stock was purchased in fiscal 2015 compared to \$493 million in fiscal 2014 and \$224 million in fiscal 2013.

Net cash used by financing activities in fiscal 2015 was \$915 million compared to \$1.6 billion in fiscal 2014 and \$1.5 billion in fiscal 2013. In fiscal 2015, we received proceeds from public offerings of \$8.0 billion of U.S. dollar denominated debt, approximately \$2.0 billion of Euro and Pound Sterling denominated debt and borrowed approximately \$2.2 billion on a Pound Sterling denominated term loan (each as described below). The proceeds from these offerings and funds from the term loan were used to fund a portion of the cash consideration payable in connection with the Second Step Transaction, refinance substantially all of Alliance Boots outstanding borrowings following the completion of the Second Step Transaction and pay related fees and expenses. Additionally in fiscal 2015, we repaid \$1.8 billion of notes prior to their stated maturity (as described below). We repurchased shares to support the needs of the employee stock plans totaling \$500 million in fiscal 2015, compared to \$705 million in fiscal 2014 and \$615 million in fiscal 2013. Additionally, we purchased \$726 million of stock related to the 2014 stock repurchase program in fiscal 2015. No purchases related to the 2014 stock repurchase program were made in fiscal 2014. Proceeds related to employee stock plans were \$503 million in fiscal 2015, compared to \$612 million in fiscal 2014 and \$486 million in fiscal 2013. Cash dividends paid were \$1.4 billion in fiscal 2015 compared to \$1.2 billion and \$1.0 billion in fiscal 2014 and 2013, respectively. The Company intends 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, Inc.

In August 2014, our Board of Directors authorized the 2014 stock repurchase program, which authorizes the repurchase of up to \$3.0 billion of the Company's common stock prior to its expiration on August 31, 2016. We purchased 8.2 million shares under the 2014 stock repurchase program in fiscal 2015 at a cost of \$726 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, the economic environment and other factors. Because the consideration payable to Rite Aid stockholders will be paid in cash, we plan to suspend activity under this program. The timing and amount of purchases under the 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 10b-1 plans, which enable a company to repurchase shares at times when it otherwise might be precluded from doing so under insider trading laws.

[Table of Contents](#)

We periodically borrow under our commercial paper program and may continue to borrow under it in future periods. There were no commercial paper borrowings outstanding at August 31, 2015 or 2014. We had average daily short-term borrowings of \$82 million of commercial paper outstanding at a weighted average interest rate of 0.52% in fiscal 2015 as compared to average daily short-term borrowings of \$4 million of commercial paper outstanding at a weighted average interest rate of 0.23% in fiscal 2014.

On November 10, 2014, Walgreens Boots Alliance and Walgreens entered into a term loan credit agreement (the “Term Loan Agreement”) which provides us with the ability to borrow up to £1.45 billion on an unsecured basis. As of August 31, 2015, we have borrowed £1.45 billion (\$2.2 billion at the August 31, 2015 spot rate of \$1.54 to £1) under the Term Loan Agreement. 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.

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.

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. At August 31, 2015, there were no borrowings or letters of credit issued against the revolving credit facility.

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). See Note 10, Short-Term Borrowings and Long-Term Debt, to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

On November 18, 2014, the Company issued several series of unsecured, unsubordinated notes totaling \$8.0 billion with maturities ranging from 2016 to 2044. All notes issued on November 18, 2014 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, the Company 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. See Note 10, Short-Term Borrowings and Long-Term Debt, to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

On December 19, 2014, Walgreens Boots Alliance and Walgreens entered into a Revolving Credit Agreement (the “364-Day Credit Agreement”) with the lenders party thereto. The 364-Day Credit Agreement is a 364-day unsecured, multicurrency revolving facility. The aggregate commitment of all lenders under the 364-Day Credit Agreement is \$750 million. The Company pays a facility fee to the financing banks to keep this line of credit active. At August 31, 2015, there were no borrowings against the 364-Day Credit Agreement. 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.

The 364-Day Credit Agreement and the Term Loan Agreement and Revolving Credit Agreement described above each contain a covenant to maintain, as of the last day of each fiscal quarter, a ratio of consolidated debt to total capitalization not to exceed 0.60 to 1.00, as well as other customary restrictive covenants. At August 31, 2015, we were in compliance with all such covenants.

[Table of Contents](#)

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 Transaction. The cash consideration payable to Rite Aid stockholders pursuant to the Merger Agreement described under “Recent Development” above is expected to be financed with a combination of cash on hand and debt financing. On October 27, 2015, the Company entered into a bridge facility commitment letter (the “Commitment Letter”) with UBS Securities LLC and UBS AG, Stamford Branch for a \$12.8 billion senior unsecured bridge facility (the “Facility”). Subject to certain customary terms and conditions, the Facility may be used to fund, in part, the cash consideration payable to Rite Aid stockholders pursuant to the Merger Agreement, to repay the indebtedness of Rite Aid to be repaid in connection with the transaction and to pay related fees and expenses.

Borrowings under the Facility will bear interest at a fluctuating rate equal to, at our option, LIBOR or the applicable base rate, plus a margin calculated as described in the Commitment Letter. We will also pay certain customary fees as described in the Commitment Letter. The Facility, if funded, will mature 364 days after the initial borrowings; provided that the Company can extend up to \$3.0 billion of the Facility for an additional 90 day period if desired. The closing of the Facility and the availability of the loans thereunder are subject to the satisfaction of certain customary conditions as provided in the Commitment Letter. The definitive loan documentation for the Facility will contain certain customary representations and warranties, affirmative, negative and financial covenants and events of default consistent with the terms set forth in the Commitment Letter and otherwise substantially similar to the terms set forth in our existing revolving credit agreement, dated as of November 10, 2014, in all material respects unless otherwise mutually and reasonably agreed.

As of October 28, 2015, the credit ratings of Walgreens Boots Alliance were:

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

In connection with the pending acquisition of Rite Aid, we expect that each of these rating agencies will review and update their ratings of our credit to reflect their assessment of the transaction and related matters. There can be no assurance that any particular rating will be assigned. 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. 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. We can acquire up to 19,859,795 shares in the open market, which represents approximately 7% of the outstanding AmerisourceBergen common stock on a fully diluted basis, assuming exercise in full of the warrants. The amount of permitted open market purchases is subject to increase in certain circumstances. We have purchased a total of approximately 11.5 million AmerisourceBergen shares in the open market. We have funded and plan to continue funding these purchases over time. Share purchases may be made from time to time in open market transactions or pursuant to instruments and plans complying with Rule 10b5-1.

If we elect to exercise the two warrants issued by AmerisourceBergen in full, we would, subject to the terms and conditions of such warrants, be required to make a cash payment of approximately \$1.2 billion in connection with the exercise of the first warrant during a six-month period beginning in March 2016 and \$1.2 billion in connection with the exercise of the second warrant during a six-month period beginning in March 2017. Our ability to invest in equity in AmerisourceBergen above certain thresholds is subject to the receipt of regulatory approvals.

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 complete may also impact our cash requirements.

See Item 7A (Qualitative and Quantitative Disclosures about Market Risk) below for a discussion of certain financing and market risks.

COMMITMENTS AND CONTINGENCIES

The information set forth in Note 13 to our Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K is incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on management's prudent judgments and estimates. Actual results may differ from these estimates. Management believes that any reasonable deviation from those judgments and estimates would not have a material impact on our consolidated financial position or results of operations. To the extent that the estimates used differ from actual results, however, adjustments to the statement of earnings and corresponding balance sheet accounts would be necessary. These adjustments would be made in future periods. 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. We use the following methods to determine our estimates:

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

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

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

Judgment is also required in determining the intangible asset's useful life as different assets will have different lives, with some assets determined to have indefinite useful lives.

Goodwill and indefinite-lived intangible asset impairment – Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually during the fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. As part of our impairment analysis for each reporting unit, we engage a third party appraisal firm to assist in the determination of estimated fair value for each reporting unit. This determination includes estimating the fair value using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows and discount rates. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping.

The determination of the fair value of the reporting units and the allocation of that value to individual assets and liabilities within those reporting units requires us to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industries in which we compete; the discount rates; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization and capital expenditures. The allocation requires several analyses to determine the fair value of assets and liabilities including, among other things, purchased prescription files, customer relationships, pharmacy licenses and trade names. Although we believe our estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting units, the amount of any goodwill impairment charge, or both.

We also compared the sum of the estimated fair values of the reporting units to the Company's total value as implied by the market value of the Company's equity and debt securities. This comparison indicated that, in total, our assumptions and estimates were reasonable. However, future declines in the overall market value of the Company's equity and debt securities may indicate that the fair value of one or more reporting units has declined below its carrying value.

One measure of the sensitivity of the amount of goodwill impairment charges to key assumptions is the amount by which each reporting unit "passed" (fair value exceeds the carrying amount) or "failed" (the carrying amount exceeds fair value) the first step of the goodwill impairment test. Our reporting units' fair values exceeded their carrying amounts ranging from approximately 12% to more than 130%. See Note 9, Goodwill and Other Intangible Assets, to the Consolidated Financial Statements for additional information.

Indefinite-lived intangible assets are tested by comparing the estimated fair value of the asset to its carrying value. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized and the asset is written down to its estimated fair value.

Our indefinite-lived intangible asset fair value is estimated by discounting the hypothetical royalty payments to their present value over the estimated economic life of the asset. These estimates can be affected by a number of factors including, but not limited to, general economic conditions, availability of market information as well as our profitability.

Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine impairment.

Allowance for doubtful accounts – The provision for bad debt is based on estimates of recoverability using both historical write-off percentages and specifically identified receivables. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine the allowance.

Vendor allowances – Vendor allowances are principally received as a result of purchases, sales or promotion of vendors' products. Allowances are generally recorded as a reduction of inventory and are recognized as a reduction of cost of sales when the related merchandise is sold. Those allowances received for promoting vendors' products are offset against advertising expense and result in a reduction of selling, general and administrative expenses to the extent of advertising incurred, with the excess treated as a reduction of inventory costs. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine vendor allowances.

Asset impairments – The impairment of long-lived assets is assessed based upon both qualitative and quantitative factors, including years of operation and expected future cash flows, and tested for impairment annually or whenever events or circumstances indicate that a certain asset may be impaired. If the future cash flows reveal that the carrying value of the asset group may not be recoverable, an impairment charge is immediately recorded. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine asset impairments.

Liability for 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. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine the liability.

Cost of sales and inventory – Drugstore cost of sales in the Retail Pharmacy USA segment is derived based on point-of-sale scanning information with an estimate for shrinkage and adjusted based on periodic inventory counts. Inventories are valued at the lower of cost or market determined by the last-in, first-out ("LIFO") method for the Retail Pharmacy USA segment and on a first-in first-out ("FIFO") basis for inventory in the Retail Pharmacy International and Pharmaceutical Wholesale segments except for retail inventory in the Retail Pharmacy International segment, which is valued using the retail method. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine cost of sales or inventory.

Equity method investments – We use the equity method to account for investments in companies if the investment provides the ability to exercise significant influence, but not control, over operating and financial policies of the investee. Our proportionate share of the net income or loss of these companies is included in consolidated net earnings. Judgment regarding the level of influence over each equity method investment includes considering key factors such as our ownership interest, representation on the board of directors, participation in policy-making decisions and material purchase and sale transactions. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine the amounts recorded for equity method investments.

Pension and Postretirement Benefits – We have various defined benefit pension plans that cover some of our foreign employees. We also have postretirement healthcare plans that cover qualifying domestic employees. Eligibility and the level of benefits for these plans varies depending on participants’ status, date of hire and or length of service. Our pension and postretirement expenses and valuations are dependent on assumptions used by our actuaries in calculating those amounts. These assumptions include discount rates, healthcare cost trends, long-term rate of return on plan assets, retirement rates, mortality rates and other factors. In determining our long-term rate of return on plan assets assumption, we consider both the historical performance of the investment portfolio as well as the long-term market return expectations based on the investment mix of the portfolio.

Our policy is to fund our pension plans in accordance with applicable regulations. Our postretirement healthcare plans are not funded. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine pension and postretirement benefits.

Income taxes – We are subject to routine income tax audits that occur periodically in the normal course of business. U.S. federal, state, local and foreign tax authorities raise questions regarding our tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the tax benefits associated with our various tax filing positions, we record a tax benefit for uncertain tax positions using the highest cumulative tax benefit that is more likely than not to be realized. Adjustments are made to our liability for unrecognized tax benefits in the period in which we determine the issue is effectively settled with the tax authorities, the statute of limitations expires for the return containing the tax position or when more information becomes available. Our liability for unrecognized tax benefits, including accrued penalties and interest, is primarily included in other long-term liabilities and current income taxes on our consolidated balance sheets and in income tax provision in our consolidated statements of earnings.

In determining our provision for income taxes, we use income, permanent differences between book and tax income, and enacted statutory income tax rates. The provision for income taxes also reflects our assessment of the ultimate outcome of tax audits in addition to any foreign-based income deemed to be taxable in the United States. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur. Based on current knowledge, we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine the amounts recorded for income taxes.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table lists our contractual obligations and commitments at August 31, 2015 (in millions):

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Operating leases (1)	\$ 37,970	\$ 3,141	\$ 5,952	\$ 5,252	\$ 23,625
Purchase obligations (2) :	3,455	2,836	552	66	1
Open inventory purchase orders	2,114	2,108	6	-	-
Real estate development	543	325	188	30	-
Other corporate obligations	798	403	358	36	1
Short-term borrowings and long-term debt *	14,444	1,070	754	3,733	8,887
Interest payment on short-term borrowings and long-term debt	6,408	330	643	2,718	2,717
Insurance *	567	157	178	76	156
Retirement benefit obligations	1,400	98	121	180	1,001
Closed location obligations *	446	78	100	63	205
Capital lease obligations *(1)	1,198	69	127	121	881
Finance lease obligations	1,324	18	36	36	1,234
Other liabilities reflected on the balance sheet *(3)	1,266	231	307	206	522
Total	\$ 71,933	\$ 10,864	\$ 9,322	\$ 12,517	\$ 39,230

[Table of Contents](#)

* Recorded on balance sheet.

- (1) Amounts for operating leases and capital leases do not include certain operating expenses under these leases such as common area maintenance, insurance and real estate taxes. These expenses were \$437 million for the fiscal year ended August 31, 2015.
- (2) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including open purchase orders.
- (3) Includes \$297 million (\$73 million in less than 1 year, \$149 million in 1-3 years, \$75 million in 3-5 years and none over 5 years) of unrecognized tax benefits recorded under Accounting Standards Codification Topic 740, Income Taxes.

The information in the foregoing table is presented as of August 31, 2015 and accordingly does not reflect obligations under agreements we entered into after that date, including the Merger Agreement and the transactions contemplated thereby described under “Recent Development” above.

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.

At August 31, 2015, we have issued \$482 million in letters of credit, primarily related to insurance obligations. We also had \$10 million of guarantees to various suppliers outstanding at August 31, 2015. The Company remains secondarily liable on 71 leases. The maximum potential undiscounted future payments related to these leases was \$351 million at August 31, 2015.

RECENT ACCOUNTING PRONOUNCEMENTS

In August 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-15, Interest – Imputation of Interest (subtopic 835-30). This ASU provides additional guidance on ASU 2015-03, Interest – Imputation of Interest. These ASUs require debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts or premiums and further specify debt issuance costs as part of line-of-credit arrangements should be treated in the manner described above. Recognition and measurement guidance for debt issuance costs are not affected. These ASUs are effective for annual periods beginning after December 15, 2015 (fiscal 2017). As permitted, the Company early adopted ASU 2015-03 beginning in the third quarter of fiscal 2015. The impact of this ASU reduced non-current assets and long-term debt by \$20 million at August 31, 2014, respectively. This ASU has no impact on the statement of earnings or statement of cash flows. The additional guidance provided in ASU 2015-15 had no material financial statement impact.

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). Early adoption is permitted for annual reporting periods beginning after December 15, 2016 (fiscal 2018). ASU 2014-09 provides a new revenue recognition standard with 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. The Company is evaluating the effect of adopting this new accounting guidance.

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 (LIFO) method or the retail inventory method (RIM). 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.

In November 2014, the FASB issued ASU 2014-17, Pushdown Accounting. This ASU provides companies with the option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The election to apply pushdown accounting can be made either in the period in which the change of control occurred, or in a subsequent period. This ASU is effective as of November 18, 2014. The adoption did not have a material impact on the Company's results of operations, cash flows or financial position.

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This ASU raises the threshold for a disposal to qualify as discontinued operations and requires new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. Under the new standard, companies report discontinued operations when they have a disposal that represents a strategic shift that has or will have a major impact on operations or financial results. This update will be applied prospectively and is effective for annual periods, and interim periods within those years, beginning after December 15, 2014 (fiscal 2016). Early adoption is permitted provided the disposal was not previously disclosed. This update will not have a material impact on the Company's reported results of operations and financial position. The impact is non-cash in nature and will not affect the Company's cash position.

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, statements regarding our future financial and operating performance, as well as forward-looking statements concerning the Merger Agreement with Rite Aid and the transactions contemplated thereby and their possible effects, our integration of Alliance Boots, corporate efficiency initiatives, 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, generic prescription drug inflation, 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," "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, including, but not limited to, those relating to the impact of private and public third-party payers' efforts to reduce prescription drug reimbursements, the impact of generic prescription drug inflation, the timing and magnitude of the impact of branded to generic drug conversions, our ability to realize anticipated synergies and achieve anticipated 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 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 actual 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 the markets in which we participate, changes in financial markets, interest rates and foreign currency exchange rates, the risks associated with international business operations, the risk of unexpected costs, liabilities or delays, changes in 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, subsequent adjustments to preliminary purchase accounting determinations, 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) above 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 7A. 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 11, Financial Instruments to our Consolidated Financial Statements. These financial instruments are sensitive to changes in interest rates. On August 31, 2015, we had approximately \$3 billion in debt obligations that had floating interest rates. A one percentage point increase or decrease in interest rates for the various debt held by the Company would increase or decrease the annual interest expense we recognize and the cash we pay for interest expense by approximately \$30 million. This amount excludes the impact of any associated interest rate swaps, forward starting interest rate swaps and interest rate caps.

Foreign Currency Exchange Rate Risk

As a result of the Second Step Transaction, 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 will affect the Company's net investment in foreign subsidiaries and will 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 \$3 million due to changes in the value of foreign currency 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 11, Financial Instruments to our Consolidated Financial Statements in Part II, Item 8 of this Form 10-K. As of August 31, 2015, a one dollar change in AmerisourceBergen's common stock would, holding other factors constant, increase or decrease the fair value of the Company's warrants by \$45 million. Additionally, the Company holds an investment in AmerisourceBergen common stock. As of August 31, 2015, a one dollar change in AmerisourceBergen common stock would increase or decrease the fair value of the Company's investment by \$11 million.

Item 8. Financial Statements and Supplementary Data

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
At August 31, 2015 and 2014
(In millions, except shares and per share amounts)

	2015	2014
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,000	\$ 2,646
Accounts receivable, net	6,849	3,218
Inventories	8,678	6,076
Other current assets	1,130	302
Total Current Assets	<u>19,657</u>	<u>12,242</u>
Non-Current Assets:		
Property, plant and equipment, at cost, less accumulated depreciation and amortization	15,068	12,257
Equity investment in Alliance Boots	-	7,336
Goodwill	16,372	2,359
Intangible assets	12,351	1,180
Other non-current assets	5,334	1,876
Total Non-Current Assets	<u>49,125</u>	<u>25,008</u>
Total Assets	<u>\$ 68,782</u>	<u>\$ 37,250</u>
Liabilities and Equity		
Current Liabilities:		
Short-term borrowings	\$ 1,068	\$ 774
Trade accounts payable	10,088	4,315
Accrued expenses and other liabilities	5,225	3,701
Income taxes	176	105
Total Current Liabilities	<u>16,557</u>	<u>8,895</u>
Non-Current Liabilities:		
Long-term debt	13,315	3,716
Deferred income taxes	3,538	1,080
Other non-current liabilities	4,072	2,942
Total Non-Current Liabilities	<u>20,925</u>	<u>7,738</u>
Commitments and Contingencies (see Note 13)		
Equity:		
Preferred stock \$.01 par value (\$.0625 at August 31, 2014); authorized 32 million shares, none issued	-	-
Common stock \$.01 par value (\$.078125 at August 31, 2014); authorized 3.2 billion shares; issued 1,172,513,618 at August 31, 2015 and 1,028,180,150 at August 31, 2014	12	80
Paid-in capital	9,953	1,172
Employee stock loan receivable	(2)	(5)
Retained earnings	25,089	22,327
Accumulated other comprehensive (loss) income	(214)	136
Treasury stock, at cost; 82,603,274 shares at August 31, 2015 and 77,793,261 at August 31, 2014	(3,977)	(3,197)
Total Walgreens Boots Alliance, Inc. Shareholders' Equity	<u>30,861</u>	<u>20,513</u>
Noncontrolling interests	439	104
Total Equity	<u>31,300</u>	<u>20,617</u>
Total Liabilities and Equity	<u>\$ 68,782</u>	<u>\$ 37,250</u>

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

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
For the years ended August 31, 2015, 2014 and 2013
(In millions, except shares and 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, 2012	944,055,334	\$ 80	\$ (2,985)	\$ 936	\$ (19)	\$ 68	\$ 20,156	\$ -	\$ 18,236
Net earnings	-	-	-	-	-	-	2,548	-	2,548
Other comprehensive income, net of tax	-	-	-	-	-	(160)	-	-	(160)
Dividends declared (\$1.14 per share)	-	-	-	-	-	-	(1,083)	-	(1,083)
Treasury stock purchases	(13,797,490)	-	(615)	-	-	-	-	-	(615)
Employee stock purchase and option plans	16,337,734	-	486	34	-	-	-	-	520
Stock-based compensation	-	-	-	104	-	-	-	-	104
Employee stock loan receivable	-	-	-	-	8	-	-	-	8
August 31, 2013	946,595,578	\$ 80	\$ (3,114)	\$ 1,074	\$ (11)	\$ (92)	\$ 21,621	\$ -	\$ 19,558
Net earnings	-	-	-	-	-	-	1,932	99	2,031
Other comprehensive income, net of tax	-	-	-	-	-	228	-	-	228
Dividends declared (\$1.28 per share)	-	-	-	-	-	-	(1,226)	-	(1,226)
Treasury stock purchases	(11,810,351)	-	(705)	-	-	-	-	-	(705)
Employee stock purchase and option plans	15,601,662	-	622	(16)	-	-	-	-	606
Stock-based compensation	-	-	-	114	-	-	-	-	114
Employee stock loan receivable	-	-	-	-	6	-	-	-	6
Other	-	-	-	-	-	-	-	5	5
August 31, 2014	950,386,889	\$ 80	\$ (3,197)	\$ 1,172	\$ (5)	\$ 136	\$ 22,327	\$ 104	\$ 20,617
Net earnings	-	-	-	-	-	-	4,220	59	4,279
Other comprehensive income, net of tax	-	-	-	-	-	(350)	-	(6)	(356)
Dividends declared (\$1.37 per share)	-	-	-	-	-	-	(1,458)	-	(1,458)
Exchange of Walgreen Co. shares for Walgreens Boots Alliance, Inc. shares	-	(69)	-	69	-	-	-	-	-
Issuance of shares for Alliance Boots acquisition	144,333,468	1	-	10,976	-	-	-	-	10,977
Treasury stock purchases	(16,250,190)	-	(1,226)	-	-	-	-	-	(1,226)
Employee stock purchase and option plans	11,440,177	-	446	56	-	-	-	-	502
Stock-based compensation	-	-	-	109	-	-	-	-	109
Acquisition of noncontrolling interest	-	-	-	(2,429)	-	-	-	(130)	(2,559)
Employee stock loan receivable	-	-	-	-	3	-	-	-	3
Noncontrolling interests in businesses acquired	-	-	-	-	-	-	-	412	412
August 31, 2015	1,089,910,344	\$ 12	\$ (3,977)	\$ 9,953	\$ (2)	\$ (214)	\$ 25,089	\$ 439	\$ 31,300

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

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
For the years ended August 31, 2015, 2014 and 2013
(In millions, except share and per share amounts)

	2015	2014	2013
Net sales	\$ 103,444	\$ 76,392	\$ 72,217
Cost of sales	76,520	54,823	51,098
Gross Profit	26,924	21,569	21,119
Selling, general and administrative expenses	22,571	17,992	17,543
Gain on sale of business	-	-	20
Equity earnings in Alliance Boots	315	617	496
Operating Income	4,668	4,194	4,092
Gain on previously held equity interest	563	-	-
Other income (expense)	685	(481)	120
Earnings Before Interest and Income Tax Provision	5,916	3,713	4,212
Interest expense, net	605	156	165
Earnings Before Income Tax Provision	5,311	3,557	4,047
Income tax provision	1,056	1,526	1,499
Post tax earnings from equity method investments	24	-	-
Net Earnings	4,279	2,031	2,548
Net earnings attributable to noncontrolling interests	59	99	-
Net Earnings Attributable to Walgreens Boots Alliance, Inc.	\$ 4,220	\$ 1,932	\$ 2,548
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. – basic	\$ 4.05	\$ 2.03	\$ 2.69
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted	\$ 4.00	\$ 2.00	\$ 2.67
Average shares outstanding	1,043.2	953.1	946.0
Dilutive effect of stock options	10.7	12.1	9.2
Average diluted shares	1,053.9	965.2	955.2

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

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended August 31, 2015, 2014 and 2013
(In millions)

	2015	2014	2013
Comprehensive Income			
Net Earnings	\$ 4,279	\$ 2,031	\$ 2,548
Other comprehensive income (loss), net of tax:			
Pension/postretirement obligations	14	(48)	(5)
Unrealized (loss) on cash flow hedges	(13)	(27)	-
Unrecognized gain on available-for-sale investments	152	106	1
Share of other comprehensive income (loss) of Alliance Boots	113	(18)	(95)
Currency translation adjustments	(622)	215	(61)
Total Other Comprehensive Income (Loss)	(356)	228	(160)
Total Comprehensive Income	3,923	2,259	2,388
Comprehensive income attributable to noncontrolling interests	53	99	-
Comprehensive Income Attributable to Walgreens Boots Alliance, Inc.	\$ 3,870	\$ 2,160	\$ 2,388

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

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended August 31, 2015, 2014 and 2013
(In millions)

	2015	2014	2013
Cash Flows from Operating Activities :			
Net earnings	\$ 4,279	\$ 2,031	\$ 2,548
Adjustments to reconcile net earnings to net cash provided by operating activities -			
Depreciation and amortization	1,742	1,316	1,283
Change in fair value of warrants and related amortization	(779)	(385)	(120)
Loss on exercise of call option	-	866	-
Gain on previously held equity interest	(563)	-	-
Deferred income taxes	(32)	177	202
Stock compensation expense	109	114	104
Equity earnings in Alliance Boots	(315)	(617)	(496)
Other	728	181	113
Changes in operating assets and liabilities -			
Accounts receivable, net	(338)	(616)	(449)
Inventories	719	860	321
Other current assets	22	(10)	18
Trade accounts payable	268	(339)	182
Accrued expenses and other liabilities	170	195	424
Income taxes	(335)	17	103
Other non-current assets and liabilities	(11)	103	68
Net cash provided by operating activities	<u>5,664</u>	<u>3,893</u>	<u>4,301</u>
Cash Flows from Investing Activities :			
Additions to property, plant and equipment	(1,251)	(1,106)	(1,212)
Proceeds from sale leaseback transactions	867	67	115
Proceeds related to the sale of businesses	814	93	20
Proceeds from sale of other assets	184	139	30
Alliance Boots acquisition, net of cash acquired	(4,461)	-	-
Other business and intangible asset acquisitions, net of cash acquired	(371)	(344)	(630)
Purchases of short-term investments held to maturity	(49)	(59)	(66)
Proceeds from short-term investments held to maturity	50	58	16
Investment in AmerisourceBergen	-	(493)	(224)
Other	(59)	(86)	(45)
Net cash used for investing activities	<u>(4,276)</u>	<u>(1,731)</u>	<u>(1,996)</u>
Cash Flows from Financing Activities :			
Payments of short-term borrowings, net	(226)	-	-
Proceeds from issuance of long-term debt	12,285	-	4,000
Payments of long-term debt	(10,472)	(550)	(4,300)
Proceeds from financing leases	-	268	-
Stock purchases	(1,226)	(705)	(615)
Proceeds related to employee stock plans	503	612	486
Cash dividends paid	(1,384)	(1,199)	(1,040)
Other	(395)	(48)	(27)
Net cash used for financing activities	<u>(915)</u>	<u>(1,622)</u>	<u>(1,496)</u>
Effect of exchange rate changes on cash and cash equivalents	(119)	-	-
Changes in Cash and Cash Equivalents :			
Net increase in cash and cash equivalents	354	540	809
Cash and cash equivalents at beginning of period	2,646	2,106	1,297
Cash and cash equivalents at end of period	<u>\$ 3,000</u>	<u>\$ 2,646</u>	<u>\$ 2,106</u>

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

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

Note 1. Organization

Walgreens Boots Alliance, Inc. (“Walgreens Boots Alliance”) and subsidiaries are a global pharmacy-led wellbeing enterprise. Its operations are conducted through three reportable segments (Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale). See Note 19, Segment Reporting for additional discussion.

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 newly-formed Delaware corporation, and each issued and outstanding share of Walgreens common stock, par value \$0.078125, converted on a one-to-one basis into Walgreens Boots Alliance common stock, par value \$0.01.

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 pursuant to the Purchase and Option Agreement dated June 18, 2012, as amended (the “Purchase and Option Agreement”). 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.

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.

Note 2. Summary of Major Accounting Policies

Basis of Presentation

The consolidated financial statements include all subsidiaries in which the Company holds a controlling interest. Investments in less than majority-owned companies 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 preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 on various other assumptions believed to be reasonable under the circumstances. Adjustments may be made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Actual results may differ.

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 period may not be comparable to the same period in previous years. In addition, 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 the Company’s Retail Pharmacy USA segment’s sales, gross profit margins and gross profit dollars.

As part of the Second Step Transaction, the Company acquired the remaining 27.5% noncontrolling interest in Walgreens Boots Alliance Development GmbH (“WBAD”), a 50/50 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.

Immediately prior to the completion of the Second Step Transaction, the Company held a 45% equity interest in Alliance Boots and recorded its proportionate share of equity income in Alliance Boots in the Company's consolidated financial statements on a three-month reporting lag. Following the Second Step Transaction, the Company eliminated the three-month reporting lag and applied this change retrospectively as a change in accounting principle in accordance with Accounting Standards Codification ("ASC") Topic 250, Accounting Changes and Error Corrections. See Note 3, Change in Accounting Policy for further information.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with an original maturity of three months or less. Credit and debit card receivables from banks, which generally settle within two to seven business days, of \$165 million and \$229 million were included in cash and cash equivalents at August 31, 2015 and 2014, respectively.

The Company's cash management policy provides for controlled disbursement. As a result, the Company had outstanding checks in excess of funds on deposit at certain banks. These amounts, which were \$448 million at August 31, 2015, and \$267 million at August 31, 2014, are included in trade accounts payable in the accompanying Consolidated Balance Sheets.

In addition, the Company's cash management policy provides for a bank overdraft facility for certain disbursement accounts. This overdraft facility represents uncleared and cleared checks in excess of cash balances in the related bank accounts. These amounts, which were \$45 million at August 31, 2015, and zero at August 31, 2014, are included in short-term borrowings in the accompanying Consolidated Balance Sheets.

Restricted Cash

The Company is required to maintain cash deposits with certain banks which consist of deposits restricted under contractual agency agreements and cash restricted by law and other obligations. As of August 31, 2015, the amount of such restricted cash was \$184 million. There was no restricted cash as of August 31, 2014.

Accounts Receivable

Accounts receivable are stated net of allowances for doubtful accounts. Accounts receivable balances primarily include amounts due from third party providers (e.g., pharmacy benefit managers, insurance companies and governmental agencies), clients and members, as well as vendors and manufacturers. Charges to bad debt are based on estimates of recoverability using both historical write-offs and specifically identified receivables. Activity in the allowance for doubtful accounts was as follows (in millions):

	2015	2014	2013
Balance at beginning of year	\$ 173	\$ 154	\$ 99
Bad debt provision	90	86	124
Write-offs	(53)	(67)	(69)
Divestitures	(37)	-	-
Currency translation	(1)	-	-
Balance at end of year	<u>\$ 172</u>	<u>\$ 173</u>	<u>\$ 154</u>

Inventory

The Company values inventories on a lower of cost or market basis. Inventory includes product costs, inbound freight, direct labor, warehousing costs, overhead costs relating to the manufacture and distribution of products and vendor allowances not classified as a reduction of advertising expense.

The Company's Retail Pharmacy USA segment inventory is accounted for using the last-in-first-out ("LIFO") method. At August 31, 2015 and August 31, 2014, Retail Pharmacy USA segment inventories would have been greater by \$2.5 billion and \$2.3 billion, respectively, if they had been valued on a lower of first-in-first-out ("FIFO") cost or market basis.

The Company's Retail Pharmacy International and Pharmaceutical Wholesale segments' inventory is accounted for using the FIFO method, except for retail inventory in the Retail Pharmacy International segment, which is primarily determined using the retail inventory method. Under the retail inventory method, cost is determined by applying a calculated cost-to-retail ratio across groupings of similar items. The cost-to-retail ratio is applied to ending inventory at its current owned retail valuation to determine the cost of ending inventory across groupings of similar items. Current owned retail valuation represents the retail price for which merchandise is offered for sale on a regular basis. Inherent in the retail method calculation are certain management judgments and estimates which can impact the owned retail valuation and, therefore, the ending inventory valuation at cost.

Equity Method Investments

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

Immediately prior to the completion of the Second Step Transaction, the Company held a 45% equity interest in Alliance Boots and recorded its proportionate share of equity income in Alliance Boots within the operating section in the Company's Consolidated Statements of Earnings on a three-month lag. As a result of the Second Step Transaction, the Company eliminated the three-month lag and applied this change retrospectively as a change in accounting policy. See Note 3, Change in Accounting Policy for additional discussion.

The Second Step Transaction resulted in the Company acquiring various equity method investments held by Alliance Boots. These newly acquired investments are included together with the previous equity investments of the Company within other non-current assets on the Consolidated Balance Sheets. See Note 6, Equity Method Investments for further information relating to the Company's equity method investments.

Investments

The Company's investments consist principally of corporate debt, other debt securities, and equity securities of publicly-traded companies.

The Company classifies its investments in securities at the time of purchase as held-to-maturity or available-for-sale, and re-evaluates such classifications on a quarterly basis. Held-to-maturity investments consist of debt securities that the Company has the intent and ability to retain until maturity. These securities are recorded at cost, adjusted for the amortization of premiums and discounts, which approximates fair value. Available-for-sale debt and equity securities are recorded at fair value. Unrealized holding gains and losses on available-for-sale investments are excluded from earnings and are reported as a separate component of shareholders' equity until realized. Realized gains and losses of available-for-sale investments are included in the Consolidated Statement of Earnings.

The Company evaluates investments held for other-than-temporary impairment. Such evaluation involves a variety of considerations, including assessments of the risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. Factors considered by the Company include (i) the length of time and the extent to which the fair value has been below cost; (ii) the financial condition, credit worthiness, and near-term prospects of the issuer; (iii) the length of time to maturity; (iv) future economic conditions and market forecasts; (v) the Company's intent and ability to retain its investment for a period of time sufficient to allow for recovery of market value; and (vi) an assessment of whether it is more likely than not that the Company will be required to sell its investment before recovery of market value.

Property, Plant and Equipment

Depreciation is provided on a straight-line basis over the estimated useful lives of owned assets. Estimated useful lives range from 20 years for land improvements, 13 to 50 for buildings and building improvements and 3 to 20 for fixtures, plant and equipment. Leasehold improvements, equipment under capital lease and capital lease properties are amortized over their respective estimate of useful life or over the term of the lease, whichever is shorter. Major repairs, which extend the useful life of an asset, are capitalized; routine maintenance and repairs are charged against earnings. The majority of the Company's fixtures and equipment uses the composite method of depreciation. Therefore, gains and losses on retirement or other disposition of such assets are included in earnings only when an operating location is closed, completely remodeled or impaired. Property, plant and equipment consists of (in millions):

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 3,687	\$ 3,418
Buildings and building improvements	7,705	6,901
Fixtures, plant and equipment	8,904	7,559
Capitalized system development costs and software	1,491	688
Capital lease properties	821	530
	<u>22,608</u>	<u>19,096</u>
Less: accumulated depreciation and amortization	7,540	6,839
Balance at end of year	<u>\$ 15,068</u>	<u>\$ 12,257</u>

Depreciation expense for property, plant and equipment was \$1.3 billion in fiscal 2015, \$923 million in fiscal 2014 and \$894 million in fiscal 2013.

The Company capitalizes application stage development costs for significant internally developed software projects, such as upgrades to the store point-of-sale system. These costs are amortized over a three to eight year period. Amortization expense for capitalized system development costs and software was \$178 million in fiscal 2015, \$127 million in fiscal 2014 and \$105 million in fiscal 2013. Unamortized costs at August 31, 2015 and 2014 were \$1.0 billion and \$ 676 million, respectively.

Business Combinations

Business combinations are accounted for under ASC Topic 805, Business Combinations, using the acquisition method of accounting. The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires estimates and the use of valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. The final determination of the fair value of certain assets and liabilities is completed within the one year measurement period as allowed under ASC Topic 805, Business Combinations. Transaction costs associated with business combinations are expensed as they are incurred.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. The Company accounts for goodwill and intangibles under ASC Topic 350, Intangibles – Goodwill and Other, which does not permit amortization, but requires the Company to test goodwill and other indefinite-lived assets for impairment annually or whenever events or circumstances indicate that impairment may exist.

Intangible assets are amortized on a straight line basis over their estimated useful lives. See Note 9, Goodwill and Other Intangible Assets for additional disclosure regarding the Company's intangible assets.

Warrants

Walgreens, Alliance Boots and AmerisourceBergen Corporation (“AmerisourceBergen”) entered into a Framework Agreement dated as of March 18, 2013, pursuant to which (1) Walgreens and Alliance Boots together were granted the right to purchase a minority equity position in AmerisourceBergen, beginning with the right, but not the obligation, to purchase up to 19,859,795 shares of AmerisourceBergen common stock (approximately 7 percent of the then fully diluted equity of AmerisourceBergen, assuming the exercise in full of the warrants described below) in open market transactions; (2) Walgreens and Alliance Boots collectively were issued (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, 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. The parties and affiliated entities also entered into certain related agreements governing relations between and among the parties thereto, including the Shareholders Agreement and the Transaction Rights Agreement.

Pursuant to the Reorganization and Second Step Transaction discussed in Note 1, Organization, and Note 2, Summary of Major Accounting Policies, Walgreens and Alliance Boots became wholly-owned subsidiaries of Walgreens Boots Alliance effective December 31, 2014. The Company holds all AmerisourceBergen warrants issued to Walgreens and Alliance Boots in its consolidated subsidiaries.

The warrants are valued at the date of issuance and the end of the period 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; AmerisourceBergen's equity volatility; the number of shares of AmerisourceBergen's common stock outstanding; the number of AmerisourceBergen's employee stock options and the exercise price; and the details specific to the warrants. The Company reports its warrants at fair value within other non-current assets in the Consolidated Balance Sheets. A deferred credit from the day-one valuation attributable to the warrants granted to Walgreens is being amortized over the life of the warrants. Gains and losses due to changes in the fair value on warrants are recognized in other income in the Consolidated Statements of Earnings. See Note 11, Financial Instruments, for additional disclosure regarding the Company's warrants.

Financial Instruments

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

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

- Changes in the fair value of a derivative designated as a fair value hedge, along with the gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in the Consolidated Statements of Earnings.
- The effective portion of changes in the fair value of a derivative designated as a cash flow hedge is recorded in accumulated other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income and reclassified into earnings in the period or periods during which the hedged item affects earnings.
- The effective portion of changes in the fair value of a derivative designated as a hedge of a net investment in a foreign operation is recorded in cumulative translation adjustments within accumulated other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income. Recognition in earnings of amounts previously recorded in cumulative translation adjustments is limited to circumstances such as complete or substantially complete liquidation of the net investment in the hedged investments in foreign operations.
- Changes in the fair value of a derivative not designated in a hedging relationship are recognized in the Consolidated Statements of Earnings along with the ineffective portions of changes in the fair value of derivatives designated in hedging relationships.

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

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

Impaired Assets and Liabilities for Store Closings

The Company tests long-lived assets for impairment whenever events or circumstances indicate that a certain asset may be impaired. Once identified, the amount of the impairment is computed by comparing the carrying value of the assets to the fair value, which is based on the discounted estimated future cash flows. Impairment charges included in selling, general and administrative expenses were \$386 million in fiscal 2015, primarily related to the Company's Cost Transformation Program (as defined below). Impairment charges recognized in fiscal 2014 and 2013 were \$167 million and \$30 million, respectively.

The Company also 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. The reserve for store closings, including \$219 million from locations closed under the Company's restructuring actions, was \$446 million as of August 31, 2015 and \$257 million as of August 31, 2014. See Note 5, Leases for additional disclosure regarding the Company's reserve for future costs related to closed locations.

Pension and Postretirement Benefits

The Company has various defined benefit pension plans that cover some of its foreign employees. The Company also has postretirement healthcare plans that cover qualifying domestic employees. Eligibility and the level of benefits for these plans vary depending on participants' status, date of hire and or length of service. Pension and postretirement expenses and valuations are dependent on assumptions used by third party actuaries in calculating those amounts. These assumptions include discount rates, healthcare cost trends, long-term return on plan assets, retirement rates, mortality rates and other factors. See Note 16, Retirement Benefits, for additional disclosure regarding the Company's pension and postretirement benefits.

The Company funds its pension plans in accordance with applicable regulations.

Noncontrolling Interests

The Company accounts for its less than 100% interest in consolidated subsidiaries in accordance with ASC Topic 810, Consolidation, and accordingly, the Company presents noncontrolling interests as a component of equity on its Consolidated Balance Sheets and reports the noncontrolling interest net earnings or loss as Net earnings attributable to noncontrolling interests in the Consolidated Statements of Earnings.

Currency

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

For U.S. dollar functional currency operations, foreign currency assets and liabilities are remeasured into U.S. dollars at end-of-period exchange rates, except for nonmonetary balance sheet amounts, which are remeasured from historical exchange rates. Revenues and expenses are recorded at average monthly exchange rates over the period, except for those expenses related to nonmonetary balance sheet amounts, which are remeasured from historical exchange rates. Gains or losses from foreign currency remeasurement and transactions are included in selling, general and administrative expenses within the Consolidated Statements of Earnings. For all periods presented, there were no material operational gains or losses from foreign currency transactions.

Revenue Recognition

Revenue is recognized when: (a) persuasive evidence of an arrangement exists, (b) delivery has occurred or services have been rendered, (c) the seller's price to the buyer is fixed or determinable, and (d) collectability is reasonably assured. The following revenue recognition policies have been established for the Company's reportable segments.

Retail Pharmacy USA and Retail Pharmacy International

The Company recognizes revenue at the time the customer takes possession of the merchandise, after making appropriate adjustments for estimated returns. Revenue does not include sales related taxes. In certain international locations, the Company initially estimates revenue based on expected reimbursements from governmental agencies for dispensing prescription drugs and providing optical services. The estimates are based on historical experience and are updated to actual reimbursement amounts.

Pharmaceutical Wholesale

Wholesale revenue is recognized upon shipment of goods, which is generally also the day of delivery. When the Company acts in the capacity of an agent or a logistics service provider, revenue is the fee received for the service and is recognized when the services have been performed. The Company has determined it is the agent when providing logistics services, which is based on its assessment of the following criteria: (a) whether it is the primary obligor in the arrangement, (b) whether it has latitude in establishing the price, changing the product or performing part of the service, (c) whether it has discretion in supplier selection, (d) whether it is involved in the determination of service specifications, and (e) whether it is exposed to credit risk.

Cost of Sales

Retail Pharmacy USA cost of sales is derived based upon point-of-sale scanning information with an estimate for shrinkage and is adjusted based on periodic inventories. All other segment cost of sales includes the purchase price of goods and services sold, store and warehouse inventory loss, inventory obsolescence, manufacturing costs, certain direct product design and development costs and supplier rebates. In addition to product costs, cost of sales includes manufacturing costs, warehousing, costs, purchasing costs, freight costs, cash discounts and vendor allowances.

Vendor Allowances and Supplier Rebates

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

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

Selling, General and Administrative Expenses

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

Advertising Costs

Advertising costs, which are reduced by the portion funded by vendors, are expensed as incurred or when services have been received. Net advertising expenses, which are included in selling, general and administrative expenses, were \$491 million in fiscal 2015, \$265 million in fiscal 2014 and \$286 million in fiscal 2013.

Gift Cards

The Company sells gift cards to retail store customers and through its websites. The Company does not charge administrative fees on unused gift cards. Gift cards sold in the U.S. do not have an expiration date while most gift cards sold internationally have an expiration date. Income from gift cards sold in the U.S. is recognized when (1) the gift card is redeemed by the customer; or (2) the likelihood of the gift card being redeemed by the customer is remote (gift card breakage) and there is no legal obligation to remit the value of unredeemed gift cards to the relevant jurisdictions. The Company's gift card breakage rate is determined based upon historical redemption patterns. Income from gift cards sold internationally is recognized when (1) the gift cards are redeemed by the customer; or (2) the gift cards expire. Gift card breakage income, which is included in selling, general and administrative expenses, was not significant in fiscal 2015, 2014 or 2013.

Points Earned Through Loyalty Programs

The Company's primary rewards programs, Balance® Rewards and Boots Advantage Card, are accrued as a charge to cost of sales at the time a point is earned. Points are funded internally and through vendor participation, and are credited to cost of sales at the time a vendor-sponsored point is earned. Breakage is recorded as points expire as a result of a member's inactivity or if the points remain unredeemed after three years. Breakage income, which is reported in cost of sales, was not significant in fiscal 2015, 2014 or 2013.

Insurance

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

Stock Compensation Plans

In accordance with ASC Topic 718, Compensation – Stock Compensation, the Company recognizes compensation expense on a straight-line basis over the employee's vesting period or to the employee's retirement eligible date, if earlier. Total stock-based compensation expense for fiscal 2015, 2014 and 2013 was \$109 million, \$114 million and \$104 million, respectively. The recognized tax benefit was \$7 million, \$31 million and \$30 million for fiscal 2015, 2014 and 2013, respectively. Unrecognized compensation cost related to non-vested awards at August 31, 2015, was \$137 million. This cost is expected to be recognized over a weighted average of three years. See Note 15, Stock Compensation Plans for more information on the Company's stock-based compensation plans.

Interest

Interest paid, which is net of capitalized interest, was \$472 million in fiscal 2015, \$161 million in fiscal 2014 and \$158 million in fiscal 2013. Interest capitalized as a part of significant construction projects during fiscal 2015, 2014 and 2013 was immaterial.

Income Taxes

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

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

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

Earnings Per Share

The dilutive effect of outstanding stock options on earnings per share is calculated using the treasury stock method. Stock options are anti-dilutive and excluded from the earnings per share calculation if the exercise price exceeds the average market price of the common shares. Outstanding options to purchase common shares that were anti-dilutive and excluded from earnings per share totaled 2.5 million, 3.5 million and 12.3 million in fiscal 2015, 2014 and 2013, respectively.

New Accounting Pronouncements

In August 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-15, Interest – Imputation of Interest (subtopic 835-30). This ASU provides additional guidance on ASU 2015-03, Interest – Imputation of Interest. These ASUs require debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts or premiums and further specify debt issuance costs as part of line-of-credit arrangements should be treated in the manner described above. Recognition and measurement guidance for debt issuance costs are not affected. These ASUs are effective for annual periods beginning after December 15, 2015 (fiscal 2017). As permitted, the Company early adopted ASU 2015-03 beginning in the third quarter of fiscal 2015. The impact of this ASU reduced non-current assets and long-term debt by \$20 million at August 31, 2014, respectively. This ASU has no impact on the statement of earnings or statement of cash flows. The additional guidance provided in ASU 2015-15 had no material financial statement impact.

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). Early adoption is permitted for annual reporting periods beginning after December 15, 2016 (fiscal 2018). ASU 2014-09 provides a new revenue recognition standard with 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. The Company is evaluating the effect of adopting this new accounting guidance.

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 (LIFO) method or the retail inventory method (RIM). 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.

In November 2014, the FASB issued ASU 2014-17, Pushdown Accounting. This ASU provides companies with the option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The election to apply pushdown accounting can be made either in the period in which the change of control occurred, or in a subsequent period. This ASU is effective as of November 18, 2014. The adoption did not have a material impact on the Company's results of operations, cash flows or financial position.

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This ASU raises the threshold for a disposal to qualify as discontinued operations and requires new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. Under the new standard, companies report discontinued operations when they have a disposal that represents a strategic shift that has or will have a major impact on operations or financial results. This update will be applied prospectively and is effective for annual periods, and interim periods within those years, beginning after December 15, 2014 (fiscal 2016). Early adoption is permitted provided the disposal was not previously disclosed. This update will not have a material impact on the Company's reported results of operations and financial position. The impact is non-cash in nature and will not affect the Company's cash position.

3. Change in Accounting Policy

Walgreens historically accounted for its investment and proportionate share of earnings in Alliance Boots utilizing a three-month reporting lag. Concurrent with the completion of the Second Step Transaction, the Company eliminated the three-month reporting lag. The Company determined that the elimination of the three-month reporting lag was preferable because having Alliance Boots and its subsidiaries have the same period-end reporting date improves overall financial reporting as business performance is reflected in the Company's consolidated financial statements on a more timely basis.

In accordance with ASC Topic 810, Consolidation, a change to eliminate a previously existing reporting lag is considered a change in accounting principle in accordance with ASC Topic 250, Accounting Changes and Error Corrections. Changes in accounting principles are to be reported through retrospective application of the new principle to all prior financial statement periods presented. Accordingly, the consolidated financial statements have been recast to reflect the period specific effects of eliminating the three-month reporting lag. The acquisition of the initial 45% interest was reflected in the Company's August 31, 2012 balance sheet. The Company's equity earnings and income statement for the year ended August 31, 2012 were not recasted as the impact was not material.

The elimination of the three-month reporting lag for the equity investment in Alliance Boots resulted in the adjustments as of and for the periods indicated below (in millions, except per share amounts). The impact of the change in accounting policy on the fiscal 2015 financial statements is not material.

	Year Ended August 31, 2014			Year Ended August 31, 2013		
	As Reported	Adjustments	After Change in Accounting Principle	As Reported	Adjustments	After Change in Accounting Principle
Consolidated Statements of Earnings						
Equity earnings in Alliance Boots	\$ 617	\$ -	\$ 617	\$ 344	\$ 152	\$ 496
Operating Income	4,194	-	4,194	3,940	152	4,092
Earnings Before Income Tax Provision	3,557	-	3,557	3,895	152	4,047
Income tax provision	1,526	-	1,526	1,445	54	1,499
Net Earnings	2,031	-	2,031	2,450	98	2,548
Net Earnings Attributable to Walgreens Boots Alliance, Inc.	1,932	-	1,932	2,450	98	2,548
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. – basic	2.03	-	2.03	2.59	0.10	2.69
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted	2.00	-	2.00	2.56	0.11	2.67
Consolidated Statements of Comprehensive Income						
Net Earnings	\$ 2,031	\$ -	\$ 2,031	\$ 2,450	\$ 98	\$ 2,548
Share of other comprehensive income (loss) of Alliance Boots	(41)	23	(18)	(59)	(36)	(95)
Cumulative translation adjustments	286	(71)	215	(103)	42	(61)
Total Other Comprehensive Income	276	(48)	228	(166)	6	(160)
Total Comprehensive Income	2,307	(48)	2,259	2,284	104	2,388
Comprehensive Income Attributable to Walgreens Boots Alliance, Inc.	\$ 2,208	\$ (48)	\$ 2,160	\$ 2,284	\$ 104	\$ 2,388

	As of August 31, 2014		
	As Reported (1)	Adjustments	After Change in Accounting Principle
Consolidated Balance Sheet			
Non-Current Assets:			
Equity investment in Alliance Boots	\$ 7,248	\$ 88	\$ 7,336
Total Non-Current Assets	24,920	88	25,008
Total Assets	37,162	88	37,250
Non-Current Liabilities:			
Deferred income taxes	1,048	32	1,080
Total Non-Current Liabilities	7,706	32	7,738
Equity:			
Retained earnings	22,229	98	22,327
Accumulated other comprehensive income	178	(42)	136
Total Walgreens Boots Alliance, Inc. Shareholders' Equity	20,457	56	20,513
Total Equity	20,561	56	20,617
Total Liabilities and Equity	\$ 37,162	\$ 88	\$ 37,250

	Year Ended August 31, 2013		
	As Reported	Adjustments	After Change in Accounting Principle
Consolidated Statement of Cash Flows			
Cash Flows from Operating Activities:			
Net earnings	\$ 2,450	\$ 98	\$ 2,548
Deferred income taxes	148	54	202
Equity earnings in Alliance Boots	(344)	(152)	(496)

(1) Due to the adoption of Accounting Standards Update 2015-03, Interest – Imputation of Interest, all reported periods include debt issuance costs as a contra-liability. This impacted the August 31, 2014 Consolidated Balance Sheet by reducing non-current assets and non-current liabilities by \$20 million.

The cumulative effect of eliminating the three-month reporting lag was recorded as an after-tax increase to retained earnings of \$98 million as of September 1, 2013, the first day of the Company's 2014 fiscal year.

4. Restructuring

On April 8, 2015, the Company's 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 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 the Retail Pharmacy USA division, but includes activities from all segments and are expected to be substantially complete by the end of fiscal 2017. 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 \$542 million (\$223 million related to asset impairment charges, \$202 million in real estate costs and \$117 million in severance and other business transition and exit costs) related to the Cost Transformation Program in fiscal 2015. The majority of the charges incurred in fiscal 2015 related to activities within the Retail Pharmacy USA division, but also included activities within Retail Pharmacy International. 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 Company's Board of Directors approved a plan to close underperforming stores in efforts to optimize and focus resources within the Retail Pharmacy USA operations in a manner intended to increase shareholder value. In fiscal 2015, the Company incurred total pre-tax charges related to this plan of \$17 million, primarily related to lease termination costs. In fiscal 2014, the Company incurred pre-tax charges of \$209 million (\$137 million from lease termination costs, \$71 million from asset impairments and \$1 million of other charges). All charges related to this plan have been recorded within selling, general and administrative expenses. The Company expects to incur no additional costs related to this plan.

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

	Retail Pharmacy		Pharmaceutical Wholesale	Consolidated
	USA	International		
Fiscal 2015				
Asset impairments	\$ 216	\$ 7	\$ -	\$ 223
Real estate costs	219	-	-	219
Severance and other business transition and exit costs	105	12	-	117
Total restructuring costs	<u>540</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 559</u>
Fiscal 2014				
Real estate costs	\$ 137	\$ -	\$ -	\$ 137
Asset impairments	71	-	-	71
Severance and other business transition and exit costs	1	-	-	1
Total restructuring costs	<u>\$ 209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209</u>

5. 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 continuously evaluates its real estate portfolio in conjunction with its capital needs. The Company has entered into several sale-leaseback transactions. In fiscal 2015, 2014 and 2013, the Company recorded proceeds from sale-leaseback transactions of \$867 million, \$67 million and \$115 million, respectively. In other transactions, the Company negotiated fixed rate renewal options which constitute a form of continuing involvement, resulting in the assets remaining on the balance sheet and a corresponding finance lease obligation.

Annual minimum rental commitments under all leases having an initial or remaining non-cancelable term of more than one year are shown below (in millions):

	Financing Obligation	Capital Lease	Operating Lease
2016	\$ 18	\$ 69	\$ 3,141
2017	18	65	3,008
2018	18	62	2,944
2019	18	60	2,734
2020	18	61	2,518
Later	1,234	881	23,625
Total Minimum Lease Payments	\$ 1,324	\$ 1,198	\$ 37,970

The capital and finance lease amounts include \$1.6 billion of imputed interest and executory costs. Total minimum lease payments have not been reduced by minimum sublease rentals of approximately \$214 million on leases due in the future under non-cancelable subleases.

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. In fiscal 2015, 2014 and 2013, the Company recorded charges of \$252 million, \$177 million and \$43 million, respectively, for facilities that were closed or relocated under long-term leases, including stores closed through the Company's store optimization plan and Cost Transformation Program. These charges are reported in selling, general and administrative expenses in the Consolidated Statements of Earnings.

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

	Year Ended August 31,	
	2015	2014
Balance – beginning of period	\$ 257	\$ 123
Provision for present value of non-cancellable lease payments on closed facilities	231	171
Assumptions about future sublease income, terminations and changes in interest rates	(6)	(8)
Interest accretion	27	14
Liability assumed through acquisition of Alliance Boots	13	-
Cash payments, net of sublease income	(76)	(43)
Balance – end of period	\$ 446	\$ 257

[Table of Contents](#)

The Company remains secondarily liable on 71 leases. The maximum potential undiscounted future payments are \$351 million at August 31, 2015. Lease option dates vary, with some extending to 2039.

Rental expense, which includes common area maintenance, insurance and taxes, where appropriate, was as follows (in millions):

	2015	2014	2013
Minimum rentals	\$ 3,176	\$ 2,687	\$ 2,644
Contingent rentals	38	5	6
Less: Sublease rental income	(46)	(22)	(22)
	<u>\$ 3,168</u>	<u>\$ 2,670</u>	<u>\$ 2,628</u>

6. Equity Method Investments

Alliance Boots became a consolidated subsidiary and ceased being accounted for under the equity method upon completion of the Second Step Transaction on December 31, 2014. Equity method investments as of August 31, 2015 and 2014 were as follows (in millions, except percentages):

	2015		2014	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Alliance Boots	\$ NA	100%	\$ 7,336	45%
Other	1,242	12% - 50%	74	30% - 50%
Total	<u>\$ 1,242</u>		<u>\$ 7,410</u>	

NA Not applicable

Alliance Boots

On August 2, 2012, pursuant to the Purchase and Option Agreement the Company acquired 45% of the issued and outstanding share capital of Alliance Boots in exchange for \$4.025 billion in cash and approximately 83.4 million shares of Walgreens common stock. The Purchase and Option Agreement provided, subject to the satisfaction or waiver of specified conditions, a call option that gave the Company the right, but not the obligation, to acquire the remaining 55% of Alliance Boots in exchange for an additional £3.1 billion in cash as well as an additional 144.3 million Company shares, subject to certain adjustments (the "call option"). On August 5, 2014, the Purchase and Option Agreement was amended to permit the exercise of the call option beginning on that date, and the Company, through an indirectly wholly-owned subsidiary to which the Company previously assigned its right to the call option, exercised the call option on August 5, 2014. The Company's equity earnings, initial investment and the call option excluded the Alliance Boots minority interest in Galenica Ltd. ("Galenica"). The Alliance Boots investment in Galenica was distributed to the Alliance Boots shareholders other than Walgreens in May 2013, which had no impact on the Company's financial results.

Prior to the closing of the Second Step Transaction on December 31, 2014, the Company accounted for its 45% investment in Alliance Boots using the equity method of accounting. Because the underlying net assets in Alliance Boots were denominated in a foreign currency, translation gains or losses had an impact on the recorded value of the Company's investment. The Company utilized a three-month reporting lag in recording equity income in Alliance Boots, which was eliminated on December 31, 2014 (See Note 3, Change in Accounting Policy). The Company's share of Alliance Boots earnings was recorded as Equity earnings in Alliance Boots in the Consolidated Statements of Earnings. The Company's investment was recorded as Equity investment in Alliance Boots in the Consolidated Balance Sheets.

The Company's initial investment in Alliance Boots exceeded its proportionate share of the net assets of Alliance Boots by \$2.4 billion. This premium of \$2.4 billion was recognized as part of the carrying value in the Company's equity investment in Alliance Boots. The difference was primarily related to the fair value of Alliance Boots indefinite-lived intangible assets and goodwill. The Company's equity method income from the investment in Alliance Boots was adjusted to reflect the amortization of fair value adjustments in certain definite lived assets of Alliance Boots. The Company's incremental amortization expense associated with the Alliance Boots investment was \$14 million, \$41 million and \$68 million for fiscal 2015, 2014 and 2013, respectively. The incremental amortization expense was recorded as a reduction in equity earnings from Alliance Boots for all periods prior to closing of the Second Step Transaction on December 31, 2014.

[Table of Contents](#)

The Second Step Transaction closed on December 31, 2014. (See Note 1, Organization, and Note 2, Summary of Major Accounting Policies). In connection with this transaction as required by ASC Topic 805, Business Combinations, the Company recorded a non-cash gain of \$563 million resulting from the remeasurement of the previously held equity interest in Alliance Boots at its acquisition date fair value. The non-cash gain includes \$310 million of other comprehensive losses and foreign currency translation losses reclassified from accumulated other comprehensive income. This gain is preliminary and may be subject to change as the Company finalizes purchase accounting.

Other Equity Method Investments

Other equity method investments primarily relate to equity method investments in Guangzhou Pharmaceuticals Corporation and Nanjing Pharmaceutical Corporation Limited, the Company's pharmaceutical wholesale investments in China and the equity method investment in Option Care Inc. retained through the sale of Walgreens Infusion Services in April 2015. Also included are additional investments in pharmaceutical wholesaling and distribution, retail pharmacy and the Company's hearing care operator and the equity method investment retained through the sale of Take Care Employer in fiscal 2014. Equity investments of the Company are recorded within other non-current assets in the Consolidated Balance Sheets. The Company reported \$24 million of post-tax equity earnings in other equity method investments for fiscal 2015, in the Consolidated Statements of Earnings. Post-tax equity earnings from the historical Walgreens other equity method investments in fiscal 2014 and fiscal 2013 were immaterial.

Summarized Financial Information

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

Balance Sheets (in millions)

	At August 31,	
	2015 (1)	2014 (1)
Current assets	\$ 5,015	\$ 9,074
Non-current assets	1,548	22,363
Current liabilities	3,936	9,372
Non-current liabilities	837	10,608
Shareholders' equity (2)	1,790	11,457

Statements of Earnings (in millions)

	Year Ended August 31,		
	2015 (3)	2014 (3)	2013 (3)
Net sales	\$ 20,905	\$ 37,624	\$ 36,482
Gross Profit	3,794	8,109	7,632
Net Earnings	791	1,446	1,363
Share of earnings from equity method investments (3)	339	618	496

(1) Net assets in foreign equity method investments are translated at their respective August 31, 2015 and 2014 spot rates.

(2) Shareholders' equity at August 31, 2015 and 2014 includes \$163 million and \$283 million respectively, related to noncontrolling interests.

(3) Earnings in foreign equity method investments are translated at their respective average exchange rates.

7. Available-for-Sale Investments

Walgreens, Alliance Boots and 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, beginning with the right, but not the obligation, to purchase up to 19,859,795 shares of AmerisourceBergen common stock (approximately 7 percent of the then fully diluted equity of AmerisourceBergen, assuming the exercise in full of the warrants described within Note 11, Financial Instruments) in open market transactions.

In conjunction with its long-term relationship with AmerisourceBergen, Walgreens acquired shares of AmerisourceBergen through open market transactions totaling \$493 million in fiscal 2014. No AmerisourceBergen shares were purchased in fiscal 2015. As of August 31, 2015, the Company held 11.5 million shares, approximately 5.2% of AmerisourceBergen’s outstanding common stock at a total fair value of \$1.1 billion. The Company’s cumulative cost basis of common shares acquired was \$717 million at August 31, 2015.

Pursuant to ASC Topic 320, Investments – Debt and Equity Securities, the Company accounts for the investment in AmerisourceBergen shares as an available-for-sale investment reported at fair value within other non-current assets in the Consolidated 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.

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

	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

	August 31, 2014			
	Amortized cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
AmerisourceBergen common stock	\$ 717	\$ 170	\$ -	\$ 887
Total available-for-sale investments	\$ 717	\$ 170	\$ -	\$ 887

In fiscal 2015, as a result of the Second Step Transaction, the Company acquired available-for-sale securities. In fiscal 2015, subsequent to the Second Step Transaction, \$52 million of acquired available-for-sale securities were sold. In 2014 and 2013, there were no sales of available-for-sale investments.

The Company has \$36 million of other available-for-sale investments classified within other current assets in the Consolidated Balance Sheets at August 31, 2015. There were no available-for-sale investments classified within other current assets in the Consolidated Balance Sheets at August 31, 2014.

8. 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%. (See Note 1, Organization, and Note 2, Summary of Major Accounting Policies). 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 50/50 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 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 preliminarily allocated to acquire the 55% ownership interest in Alliance Boots and \$2.6 billion was preliminarily 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 preliminary impact of the equity transaction is as follows (in millions):

	Amount
Consideration attributed 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>

As of August 31, 2015, the Company had not completed the analysis to assign fair values to all tangible and intangible assets acquired and therefore the purchase price allocation for Alliance Boots and WBAD has not been completed. The preliminary purchase price allocation will be subject to further refinement and may result in material changes. These changes will primarily relate to the allocation of consideration and the fair value assigned to all tangible and intangible assets acquired and identified. The following table summarizes the consideration paid to acquire the remaining 55% interest in Alliance Boots and the preliminary 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	3,847
Intangible assets	11,691
Other non-current assets	2,218
Trade accounts payable, accrued expenses and other liabilities	(7,711)
Borrowings	(9,010)
Deferred income taxes	(2,461)
Other non-current liabilities	(389)
Noncontrolling interests	(412)
Total identifiable net assets and noncontrolling interests	<u>6,592</u>
Goodwill	<u>\$ 14,849</u>

Significant changes from the preliminary purchase price valuation at February 28, 2015 include an increase in identified intangible assets based on updated financial information, higher deferred income taxes as a result of the increase in identified intangible assets and increases in equity investments and noncontrolling interests based on updated financial information. The preliminary purchase price allocation will be subject to further refinement and may result in material changes.

[Table of Contents](#)

As a result of the Company acquiring the remaining 55% interest in Alliance Boots, the Company's previously held 45% interest was remeasured to fair value, resulting in a gain of \$563 million. This gain has been recognized as Gain on previously held equity interest in the Consolidated Statements of Earnings. This gain is preliminary and may be subject to change as the Company finalizes purchase accounting.

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 preliminary 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	12	742
Trade names and trademarks	7	399
Favorable lease interests	8	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 preliminary goodwill of \$14.8 billion arising from the Second Step Transaction primarily reflects the expected purchasing synergies, operating efficiencies by benchmarking performance and applying best practices across the combined company, consolidation of operations, reductions in selling, general and administrative expenses and combining workforces.

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

The preliminary goodwill allocated to the Retail Pharmacy USA segment of \$7.3 billion comprises \$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 preliminary goodwill, \$3.9 billion was allocated to the Retail Pharmacy International segment and \$3.6 billion was allocated to the Pharmaceutical Wholesale segment. The allocation of the goodwill to the individual reporting units within the respective segments has not been completed. Substantially all of the goodwill recognized is not expected to be deductible for income tax purposes.

[Table of Contents](#)

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.

The preliminary fair value of the assets acquired includes inventory having an estimated fair value of \$3.7 billion. This fair value includes a \$107 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.

The following table presents supplemental unaudited condensed pro forma consolidated information for 2015 and 2014 as if the Second Step Transaction had occurred on September 1, 2013, the first day of the Company's fiscal 2014. As described in Note 3, Change in Accounting Policy, the information has been presented without a lag. 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 which 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 the gain on Walgreens previously held 45% investment in Alliance Boots and other 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.

	Year Ended August 31,	
	2015	2014
(in millions, except per share amounts)		
Net sales	\$ 116,491	\$ 113,896
Net earnings	4,278	3,884
Net earnings per common share:		
Basic	\$ 4.10	\$ 3.54
Diluted	4.06	3.50

Actual results from Alliance Boots operations included in the Consolidated Statements of Earnings since December 31, 2014, the date of the Second Step Transaction, are as follows (in millions, except per share amounts):

	Year Ended August 31, 2015
(in millions, except per share amounts)	
Net sales	\$ 22,470
Net earnings	853
Net earnings per common share:	
Basic	\$ 0.82
Diluted	0.81

Other Acquisitions and Divestitures

The aggregate purchase price of all businesses acquired in fiscal 2015, excluding Alliance Boots, net of cash received was \$371 million for fiscal 2015. In fiscal 2015, the Company acquired Liz Earle Beauty Co. Ltd, owner of the Liz Earle skincare brand in addition to other asset acquisitions, primarily pharmacy prescription files. These acquisitions added \$ 126 million to goodwill and \$255 million to intangible assets. Any 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 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. Additionally, in fiscal 2015 the Company completed the sale of a majority interest in its subsidiary, Walgreens Infusion Services to Madison Dearborn Partners ("MDP"). Walgreens Infusion Services became a new independent, privately-held company named Option Care Inc. MDP owns a majority interest in the new company. Walgreens Boots Alliance owns a significant minority interest and has representatives on the company's board of directors.

In fiscal 2014, the Company acquired certain assets of Kerr Drug and its affiliates for \$170 million. This acquisition included 76 retail locations as well as a specialty pharmacy business and a distribution center. The Kerr Drug acquisition added \$42 million to goodwill and \$54 million to intangible assets, primarily prescription files and payer contracts, with \$74 million allocated to net tangible assets. Additionally, the Company completed the sale of a majority interest in its subsidiary, Take Care Employer Solutions, LLC (“Take Care Employer”) to Water Street Healthcare Partners (“Water Street”). At the same time, Water Street made an investment in CHS Health Services (“CHS”), an unrelated entity and merged CHS with Take Care Employer to create a leading worksite health company dedicated to improving the cost and quality of employee health care. Water Street owns a majority interest in the new company while the Company owns a significant minority interest and has representatives on the new company’s board of directors.

9. Goodwill and Other Intangible Assets

Goodwill and other indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually during the fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. As part of the Company’s impairment analysis for each reporting unit, the Company engaged a third party appraisal firm to assist in the determination of estimated fair value for each unit. This determination included estimating the fair value using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows and discount rates. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping.

The determination of the fair value of the reporting units and the allocation of that value to individual assets and liabilities within those reporting units requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industries in which the Company competes; the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization and capital expenditures. The allocation requires several analyses to determine the fair value of assets and liabilities including, among other things, trade names and trademarks, pharmacy licenses, customer relationships and purchased prescription files. Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting units, the amount of the goodwill impairment charge, or both. The Company also compared the sum of the estimated fair values of its reporting units to the Company’s total value as implied by the market value of its equity and debt securities. This comparison indicated that, in total, its assumptions and estimates were reasonable. However, future declines in the overall market value of the Company’s equity and debt securities may indicate that the fair value of one or more reporting units has declined below its carrying value.

Goodwill added as a result of the Second Step Transaction has been preliminarily allocated to the Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale reportable segments.

[Table of Contents](#)

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, 2013	\$ 2,410	\$ -	\$ -	\$ 2,410
Acquisitions	58	-	-	58
Sale of business (1)	(92)	-	-	(92)
Other (3)	(17)	-	-	(17)
August 31, 2014	<u>2,359</u>	<u>-</u>	<u>-</u>	<u>2,359</u>
Acquisitions	7,290	4,036	3,646	14,972
Sale of business (2)	(706)	-	-	(706)
Other (3)	(3)	-	-	(3)
Currency translation adjustments	-	(138)	(112)	(250)
August 31, 2015	<u>\$ 8,940</u>	<u>\$ 3,898</u>	<u>\$ 3,534</u>	<u>\$ 16,372</u>

- (1) Represents goodwill associated with Walgreens Take Care Employer business which was sold in June 2014.
(2) Represents goodwill associated with Walgreens Infusion Services business which was sold in April 2015.
(3) Other primarily represents immaterial purchase accounting adjustments for prior year Company acquisitions.

In fiscal 2015, as a result of the Second Step Transaction, the Company recorded \$14.8 billion of goodwill and \$11.7 billion of intangible assets in conjunction with the preliminary purchase accounting. See Note 8, Acquisitions for additional information regarding the transaction. Additionally, in fiscal 2015 the Company completed the sale of a majority interest in its subsidiary, Walgreens Infusion Services. As a result, \$706 million of goodwill allocated to this business was removed from the Consolidated Balance Sheet.

In fiscal 2014, the Company completed the sale of a majority interest in its subsidiary, Take Care Employer. As a result, \$92 million of goodwill allocated to this business was removed from the Consolidated Balance Sheet. Additionally, the Company purchased certain assets of Kerr Drug and its affiliates for \$170 million, subject to adjustment in certain circumstances. The Company recorded \$42 million of goodwill and \$54 million of intangible assets in conjunction with the purchase accounting for this acquisition.

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

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Gross Amortizable Intangible Assets		
Purchased prescription files	\$ 885	\$ 1,079
Favorable lease interests	440	382
Purchasing and payer contracts	94	301
Non-compete agreements	154	151
Trade names and trademarks	675	191
Customer relationships	1,409	-
Loyalty card holders	730	-
Other amortizable intangible assets	-	4
Total gross amortizable intangible assets	<u>4,387</u>	<u>2,108</u>
Accumulated amortization		
Purchased prescription files	470	474
Favorable lease interests	207	174
Purchasing and payer contracts	65	145
Non-compete agreements	92	70
Trade names and trademarks	83	69
Customer relationships	132	-
Loyalty card holders	41	-
Other amortizable intangible assets	-	4
Total accumulated amortization	<u>1,090</u>	<u>936</u>
Total amortizable intangible assets, net	<u>\$ 3,297</u>	<u>\$ 1,172</u>
Indefinite Lived Intangible Assets		
Trade names and trademarks	\$ 6,590	\$ 8
Pharmacy licenses	2,464	-
Total indefinite lived intangible assets	<u>\$ 9,054</u>	<u>\$ 8</u>
Total intangible assets, net	<u>\$ 12,351</u>	<u>\$ 1,180</u>

Amortization expense for intangible assets was \$480 million, \$282 million and \$289 million in fiscal 2015, 2014 and 2013, respectively.

The weighted-average amortization period by intangible asset category is as follows (in years):

Intangible asset class	2015	2014
Purchased prescription files	6	6
Favorable lease interests	13	11
Purchasing and payer contracts	10	13
Non-compete agreements	5	5
Trade names and trademarks	9	12
Customer relationships	12	-
Loyalty card holders	12	-
Other amortizable intangible assets	-	8

Estimated annual amortization expense for intangible assets recorded at August 31, 2015 is as follows (in millions):

	2016	2017	2018	2019	2020
Estimated annual amortization expense	\$ 442	\$ 398	\$ 352	\$ 323	\$ 267

10. 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. Debt issuances are denominated in U.S. dollars, unless otherwise noted):

	August 31, 2015	August 31, 2014
Short-Term Borrowings (1)		
Current portion of loans assumed through the purchase of land and buildings; various interest rates from 5.000% to 8.750%; various maturities from 2015 to 2035	\$ 2	\$ 8
Unsecured variable rate notes due 2016	747	-
1.000% unsecured notes due 2015	-	750
Other (2)	319	16
Total short-term borrowings	\$ 1,068	\$ 774

Long-Term Debt (1)

Unsecured Pound Sterling variable rate term loan due 2019 (4)	\$ 2,229	\$ -
1.800% unsecured notes due 2017	-	994
1.750% unsecured notes due 2017	746	-
5.250% unsecured notes due 2019 (3)	250	1,007
2.700% unsecured notes due 2019	1,243	-
2.875% unsecured Pound Sterling notes due 2020 (4)	612	-
3.300% unsecured notes due 2021	1,241	-
3.100% unsecured notes due 2022	1,193	1,192
3.800% unsecured notes due 2024	1,985	-
3.600% unsecured Pound Sterling notes due 2025 (4)	459	-
2.125% unsecured Euro notes due 2026 (5)	836	-
4.500% unsecured notes due 2034	494	-
4.400% unsecured notes due 2042	492	491
4.800% unsecured notes due 2044	1,491	-
Loans assumed through the purchase of land and buildings; various interest rates from 5.000% to 8.750%; various maturities from 2015 to 2035	20	32
Other (6)	24	-
Total long-term debt	\$ 13,315	\$ 3,716

[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 \$45 million of U.S. dollar equivalent bank overdrafts.
- (3) Also includes interest rate swap fair market value adjustments, see Note 12, Fair Value Measurements for additional fair value disclosures.
- (4) Pound Sterling denominated notes are translated at the August 31, 2015 spot rate of \$1.54 to one British Pound Sterling.
- (5) Euro denominated notes are translated at the August 31, 2015 spot rate of \$1.12 to one Euro.
- (6) Other long-term debt represents a mix of fixed and variable rate borrowings in various foreign currencies with various maturities.

Extinguishment of Debt Assumed in Second Step Transaction

As a result of the Second Step Transaction (see Note 8, Acquisitions), the Company assumed \$9.0 billion of Alliance Boots existing debt. In January 2015, the Company repaid substantially all of the assumed debt with proceeds from the November 2014 debt issuances described below.

\$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 (as described below). 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 August 31, 2015 was \$7.8 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>			

Former Walgreens Guarantee

Upon issuance, the notes were guaranteed on an unsecured and unsubordinated basis by Walgreens pursuant to a guarantee agreement dated as of November 18, 2014. Pursuant to the terms of the Guarantee Agreement, such Guarantee Agreement would automatically terminate, and Walgreens' obligations thereunder would be unconditionally released and discharged, if and when (i) the aggregate outstanding principal amount of Capital Markets Indebtedness, including the Existing Notes, and Commercial Bank Indebtedness (as each such capitalized term is defined in the Guarantee Agreement), in each case, of Walgreens is less than \$2.0 billion and (ii) Walgreens does not guarantee any Capital Markets Indebtedness (other than the notes or the Euro/Sterling notes issued on November 20, 2014 described below) or Commercial Bank Indebtedness, in each case, of the Walgreens Boots Alliance. Once released in accordance with its terms, the guarantees will not subsequently be required to be reinstated. On August 10, 2015, as a result of the redemption of certain notes of Walgreens described below, the Guarantee Agreement was automatically terminated in accordance with its terms, without penalty to Walgreens or Walgreens Boots Alliance, and the obligations of Walgreens thereunder were unconditionally released and discharged.

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.

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 (as described below). 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 August 31, 2015 was \$1.9 billion. Fair value for these notes was determined based upon quoted market prices.

[Table of Contents](#)

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	

Former Walgreens Guarantee

Upon issuance, the notes were guaranteed on an unsecured and unsubordinated basis by Walgreens pursuant to a guarantee agreement dated as of November 20, 2014. Pursuant to the terms of the Guarantee Agreement, such Guarantee Agreement would automatically terminate, and Walgreens' obligations thereunder would be unconditionally released and discharged, if and when (i) the aggregate outstanding principal amount of Capital Markets Indebtedness, including the Existing Notes, and Commercial Bank Indebtedness (as each such capitalized term is defined in the Guarantee Agreement), in each case, of Walgreens is less than \$2.0 billion and (ii) Walgreens does not guarantee any Capital Markets Indebtedness (other than the notes or the U.S. Dollar notes issued on November 18, 2014 described above) or Commercial Bank Indebtedness, in each case, of Walgreens Boots Alliance. Once released in accordance with its terms, the guarantees will not subsequently be required to be reinstated. On August 10, 2015, as a result of the redemption of certain notes of Walgreens described below, the Guarantee Agreement was automatically terminated in accordance with its terms, without penalty to Walgreens or Walgreens Boots Alliance, and the obligations of Walgreens thereunder were unconditionally released and discharged.

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 August 31, 2015:

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 August 31, 2015 and August 31, 2014 was \$1.6 billion and \$3.4 billion (at August 31, 2014 there was \$3.5 billion of issued notes outstanding), respectively. 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 as of August 31, 2015 and August 31, 2014 was \$0.3 billion and \$1.1 billion, respectively. 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 continue to borrow under it in future periods. There were no commercial paper borrowings outstanding at August 31, 2015 or 2014. The Company had average daily short-term borrowings of \$82 million of commercial paper outstanding at a weighted average interest rate of 0.52% in fiscal 2015. In fiscal 2014, the Company had average daily short-term borrowings of \$4 million of commercial paper outstanding at a weighted average interest rate of 0.23%.

On November 10, 2014, Walgreens Boots Alliance and Walgreens entered into a term loan credit agreement (the “Term Loan Agreement”) which provides the ability to borrow up to £1.45 billion on an unsecured basis. As of August 31, 2015, Walgreens Boots Alliance has borrowed £1.45 billion (\$2.2 billion at the August 31, 2015 spot rate of \$1.54 to £1) under the Term Loan Agreement. 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. The fair value of the Term Loan Agreement as of August 31, 2015 was \$2.2 billion. Fair value of 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.

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. At August 31, 2015, there were no borrowings or letters of credit issued against the revolving credit facility.

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. Pursuant to the terms of the Term Loan Agreement and Revolving Credit Agreement, as applicable, each such guarantee would automatically terminate, and Walgreens’ obligations thereunder would be unconditionally released and discharged, if (i) the aggregate outstanding principal amount of Capital Markets Indebtedness, including the Existing Notes, and Commercial Bank Indebtedness (as each such capitalized term is defined in the Term Loan Agreement or Revolving Credit Agreement, as applicable), in each case, of Walgreens is less than \$2.0 billion and (ii) Walgreens does not guarantee any Capital Markets Indebtedness or Commercial Bank Indebtedness, in each case, of Walgreens Boots Alliance. On August 10, 2015, as a result of completing the redemption of certain of the Walgreens notes described above and the release of the guarantees of the Walgreens Boots Alliance notes described above, such guarantees of the Term Loan Agreement and Revolving Credit Agreement 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 (the “364-Day Credit Agreement”) with the lenders party thereto. The 364-Day Credit Agreement is a 364-day unsecured, multicurrency revolving facility. The aggregate commitment of all lenders under the 364-Day Credit Agreement is \$750 million. The Company pays a facility fee to the financing banks to keep this line of credit active. 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. At August 31, 2015, there were no borrowings against the 364-Day Credit Agreement.

The Term Loan Agreement, Revolving Credit Agreement and the 364-Day Revolving Credit Agreement each contain a covenant to maintain, as of the last day of each fiscal quarter, a ratio of consolidated debt to total capitalization not to exceed 0.60 to 1.00, as well as other customary restrictive covenants. At August 31, 2015, we were in compliance with all such covenants.

11. Financial Instruments

The Company uses derivative instruments to manage its exposure to interest rate and foreign currency exchange risks. As a result of the Second Step Transaction, the Company acquired all the derivative instruments held by Alliance Boots at their acquisition date fair values.

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, were as follows (in millions):

	<u>Notional (1)</u>	<u>Fair Value</u>	<u>Location in Consolidated Balance Sheets</u>
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 notional amounts, fair value and balance sheet presentation of derivative instruments outstanding as of August 31, 2014, excluding warrants which are presented separately in this footnote, are as follows (in millions):

	<u>Notional</u>	<u>Fair Value</u>	<u>Location in Consolidated Balance Sheets</u>
Derivatives designated as fair value hedges :			
Interest rate swaps	\$ 1,000	\$ 16	Other non-current assets
Derivatives designated as cash flow hedges :			
Forward interest rate swaps	1,500	44	Other non-current liabilities

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 10, 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):

	<u>Location in Consolidated Statements of Earnings</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Interest rate swaps	Interest expense, net	\$ (4)	\$ (15)	\$ 63
Notes	Interest expense, net	6	15	(43)

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 Balance Sheets (see Note 10, Short-Term Borrowings and Long-Term Debt). At August 31, 2015 and August 31, 2014, the cumulative fair value adjustments resulted in an increase in long-term debt of \$1 million and \$12 million, respectively. No material gains or losses were recorded from ineffectiveness during fiscal 2015, 2014 or 2013.

Cash Flow Hedges

In fiscal 2014, the Company entered into a series of forward starting interest rate swap transactions locking in the then current three-month LIBOR interest rate on \$1.5 billion of the then anticipated issuance of debt, with expected maturity tenures of 10 and 30 years. The swap transactions were designated as cash flow hedges of the variability in the expected cash outflows of interest payments on the then forecasted debt due to changes in the benchmark interest rates. In November 2014, in conjunction with the issuance of the \$2.0 billion notes maturing in fiscal 2024 and the \$1.5 billion notes maturing in fiscal 2044, the Company terminated these forward starting interest rate swaps, locking in the effective yields on the related debt. A cash payment of \$45 million was made to settle the 10-year swap and a cash payment of \$18 million was made to settle the 30-year swap in November 2014. The changes in fair value of the swaps until their termination were included in other comprehensive income, and any ineffectiveness was recorded directly to interest expense in the Consolidated Statements of Earnings. The cumulative changes included in other comprehensive income will be amortized into earnings in the same periods during which interest expense on the identified debt is recognized.

As a result of the Second Step Transaction, the Company assumed \$9.0 billion of Alliance Boots existing debt, a portion of which was hedged using interest rate swaps and interest rate caps. In January 2015, the Company repaid substantially all of the assumed debt and simultaneously terminated swaps converting £1.0 billion of outstanding debt from floating to fixed rates with no material gain or loss recognized. In July 2015, £1.0 billion of floating to fixed rate swaps which were not designated as hedging instruments matured. Interest rate caps with notional principal amounts of £1.5 billion and €2.0 billion to protect the Company from rising interest rates on the corresponding amounts of assumed Alliance Boots existing debt were in place on completion of the Second Step Transaction. In January 2015, interest rate caps with an aggregate notional principal of €600 million were terminated with no material gain or loss recognized. The remaining caps matured in July 2015.

There were no material gains and losses due to the change in fair value of derivatives designated as cash flow hedges recognized in other comprehensive income in fiscal 2014 or 2013.

No portion of the derivatives designated as cash flow hedges was excluded from hedge assessment. No material gains or losses were recorded in earnings from ineffectiveness in fiscal 2015, 2014 or 2013.

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. Income or expense due to changes in fair value of these derivative instruments were recognized in earnings as follows (in millions):

	Location in Consolidated Statements of Earnings	2015	2014	2013
Interest rate swaps	Interest expense, net	\$ 1	\$ -	\$ -
Foreign currency forwards	Selling, general and administrative expense	78	-	-
Second Step Transaction foreign currency forwards	Other income (expense)	(166)	-	-
Foreign currency forwards	Other income (expense)	72	-	-

Warrants

As discussed in Note 2, Summary of Major Accounting Policies, the Company holds (a) a warrant 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, and (b) a warrant 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. The warrants issued to Alliance Boots were acquired by the Company as part of the Second Step Transaction.

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

	<u>Location in Consolidated Balance Sheets</u>	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Asset derivatives not designated as hedges:			
Warrants	Other non-current assets	\$ 2,140	\$ 553

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

	<u>Location in Consolidated Statements of Earnings</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Warrants	Other income (expense)	\$ 759	\$ 366	\$ 111

Derivatives Credit Risk

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

Derivatives Offsetting

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

12. 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.

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

	<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	-
	<u>August 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets :				
Money market funds (2)	\$ 1,879	\$ 1,879	\$ -	\$ -
Available-for-sale investments (3)	887	887	-	-
Interest rate swaps (4)	16	-	16	-
Warrants (6)	553	-	553	-
Liabilities :				
Forward interest rate swaps (7)	44	-	44	-

[Table of Contents](#)

- (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 7, Available-for-Sale Investments for additional disclosures.
- (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 11, Financial Instruments for additional disclosures.
- (5) The fair value of forward currency contracts is estimated by discounting the difference between the contractual forward price and the current available forward price for the residual maturity of the contract using observable market rates.
- (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 expected 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.
- (7) Forward interest rate swaps were valued using three-month LIBOR rates. See Note 11, Financial Instruments for additional disclosures.

There were no transfers between levels in fiscal 2015 or 2014.

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 10, Short-Term Borrowings and Long-Term Debt for further details. The carrying values of accounts receivable and trade accounts payable approximated their respective fair values due to their short-term nature.

13. 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.

[Table of Contents](#)

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 assert 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 is subject to, among other things, court approval. On July 8, 2015, the Court preliminarily approved the settlement and set the final approval hearing for November 6, 2015. On September 22, 2015, the Court adjourned the final approval hearing set for November 6, 2015, and reset the final approval hearing to November 20, 2015.

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.

14. Income Taxes

The components of Earnings Before Income Tax Provision were (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
U.S.	\$ 2,725	\$ 3,386	\$ 3,469
Non – U.S.	2,586	171	578
Total	<u>\$ 5,311</u>	<u>\$ 3,557</u>	<u>\$ 4,047</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current provision			
Federal	\$ 846	\$ 1,207	\$ 1,122
State	121	109	134
Non – U.S.	128	35	15
	<u>1,095</u>	<u>1,351</u>	<u>1,271</u>
Deferred provision			
Federal	(23)	183	228
State	(16)	(3)	(2)
Non – U.S.	-	(5)	2
	<u>(39)</u>	<u>175</u>	<u>228</u>
Income tax provision	<u>\$ 1,056</u>	<u>\$ 1,526</u>	<u>\$ 1,499</u>

[Table of Contents](#)

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	1.3	1.9	2.2
Loss on Alliance Boots call option ⁽¹⁾	-	8.5	-
Deferred tax asset recognition ⁽¹⁾	(4.1)	-	-
Gain on previously held equity interest	(5.8)	-	-
Foreign income taxed at non-U.S. rates	(6.2)	(3.1)	(0.3)
Non-taxable income	(2.6)	-	-
Non-deductible expenses	2.3	0.3	1.0
Other	-	0.3	(0.9)
Effective income tax rate	<u>19.9%</u>	<u>42.9%</u>	<u>37.0%</u>

- (1) Upon the amendment and immediate exercise of the call option to acquire the remaining 55% ownership of Alliance Boots, the Company was required to compare the fair value of the amended option with the book value of the original option with a gain or loss recognized for the difference. The fair value of the amended option resulted in a financial statement loss of \$866 million. The loss on the Alliance Boots call option was, in part, a capital loss and available to be carried forward and offset future capital gains through fiscal 2020. The loss was also the primary contributor to the 2014 valuation allowance amount reported in the deferred income tax table below. In 2015, the deferred tax asset related to the loss was recognized, resulting in the 4.1% effective tax rate benefit reported in the table above as well as a reduction to the valuation allowance amount reported in the deferred income tax table below.

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

	<u>2015</u>	<u>2014</u>
Deferred tax assets		
Postretirement benefits	\$ 130	\$ 247
Compensation and benefits	224	166
Insurance	68	98
Accrued rent	167	166
Outside basis difference	73	-
Bad debts	67	65
Tax attributes	341	430
Stock compensation	119	131
Other	93	75
	<u>1,282</u>	<u>1,378</u>
Less: Valuation allowance	125	223
Total deferred tax assets	<u>1,157</u>	<u>1,155</u>
Deferred tax liabilities		
Accelerated depreciation	1,234	1,244
Inventory	420	407
Intangible assets	1,822	64
Equity method investment	333	387
Deferred income	889	208
	<u>4,698</u>	<u>2,310</u>
Net deferred tax liabilities	<u>\$ 3,541</u>	<u>\$ 1,155</u>

At August 31, 2015, the Company has recorded deferred tax assets of \$341 million, primarily reflecting the benefit of \$399 million in U.S. federal, \$478 million in state and \$476 million in non-U.S. ordinary and capital losses. Of these deferred tax assets, \$218 million will expire at various dates from 2016 through 2034. The residual deferred tax assets of \$123 million have no expiry date.

[Table of Contents](#)

The Company believes it is more likely than not that the benefit from certain deferred tax assets will not be realized. In recognition of this risk, the Company has recorded a valuation allowance of \$125 million against those deferred tax assets as of August 31, 2015.

Income taxes paid were \$1.3 billion, \$1.2 billion and \$1.2 billion for fiscal years 2015, 2014 and 2013, respectively.

ASC Topic 740, Income Taxes, provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file in a particular jurisdiction. As of August 31, 2015, unrecognized tax benefits of \$224 million were reported as long-term liabilities on the Consolidated Balance Sheets while \$73 million were reported as current tax liabilities. Both of these amounts include interest and penalties, when applicable.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 193	\$ 208	\$ 197
Gross increases related to business combination	84	-	-
Gross increases related to tax positions in a prior period	45	55	18
Gross decreases related to tax positions in a prior period	(75)	(82)	(32)
Gross increases related to tax positions in the current period	63	46	30
Settlements with taxing authorities	(45)	(22)	(2)
Lapse of statute of limitations	(4)	(12)	(3)
Balance at end of year	<u>\$ 261</u>	<u>\$ 193</u>	<u>\$ 208</u>

At August 31, 2015, 2014 and 2013, \$227 million, \$105 million and \$116 million, respectively, of unrecognized tax benefits would favorably impact the effective tax rate if recognized. During the next twelve months, based on current knowledge, it is reasonably possible the amount of unrecognized tax benefits could decrease by up to \$73 million due to anticipated tax audit settlements and the expirations of statutes of limitations associated with tax positions related to multiple tax jurisdictions.

The Company recognizes interest and penalties in the income tax provision in its Consolidated Statements of Earnings. At August 31, 2015, and August 31, 2014, the Company had accrued interest and penalties of \$36 million and \$21 million, respectively. For the year ended August 31, 2015, the amount reported in income tax expense related to interest and penalties was \$3 million.

The Company files a consolidated U.S. federal income tax return as well as income tax returns in various states and multiple foreign jurisdictions. It is generally no longer under audit examination for U.S. federal income tax purposes for any years prior to fiscal 2014. With few exceptions, it is no longer subject to state and local income tax examinations by tax authorities for years before fiscal 2007. In foreign tax jurisdictions, the Company is generally no longer subject to examination by the tax authorities in Luxembourg prior to 2010, in Germany prior to 2011, in France prior to 2009, and in Turkey prior to 2010. With respect to the United Kingdom, a number of specific issues remain open to examination by the tax authorities back to 2000.

The Company has received tax holidays from Swiss cantonal income taxes relative to certain of its Swiss operations. The income tax holidays are expected to extend through September 2022. The holidays had a beneficial impact of approximately \$89 million during 2015. This benefit is primarily included as part of the foreign income taxed at non-U.S. rates line in the effective tax rate reconciliation table above.

At August 31, 2015, it is not practicable for the Company to determine the amount of the unrecognized deferred tax liability it has with respect to temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration.

15. Stock Compensation Plans

The Walgreens Boots Alliance, Inc. Omnibus Incentive Plan (the "Omnibus Plan") which became effective in fiscal 2013, provides for incentive compensation to the Company's non-employee directors, officers and employees, and consolidates into a single plan several previously existing equity compensation plans. A total of 60.4 million shares became available for delivery under the Omnibus Plan.

[Table of Contents](#)

In connection with the Reorganization, the Omnibus Plan was assumed by the Company and each Walgreens stock option, restricted stock unit award, performance share award, deferred stock unit award, and share of common stock converted automatically into an award with respect to the number of shares of common stock of the Company on a one-for-one basis. The Company's awards continue to be subject to the same terms and conditions as those that were applicable to such award immediately prior to their conversion. The Company did not record any incremental compensation expense related to the conversion.

A summary of the equity awards authorized and available for future grants under the Omnibus Plan follows:

Available for future grants at August 31, 2014	48,352,242
Newly authorized options	-
Granted	(8,649,296)
Cancellation and forfeitures	5,059,061
Plan termination	1,409,063
Available for future grants at August 31, 2015	<u>46,171,070</u>

A summary of the Company's stock options outstanding under the Omnibus Plan follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding at August 31, 2014	31,916,824	\$ 39.28	6.40	\$ 674
Granted	4,119,972	64.19		
Exercised	(10,007,975)	35.22		
Expired/Forfeited	(3,754,248)	53.72		
Outstanding at August 31, 2015	22,274,573	43.52	6.29	959
Vested or expected to vest at August 31, 2015	21,879,917	43.20	6.25	948
Exercisable at August 31, 2015	8,825,638	32.42	4.03	478

The fair value of each option grant was determined using the Black-Scholes option pricing model with the following weighted-average assumptions used in fiscal 2015, 2014 and 2013:

	2015	2014	2013
Risk-free interest rate (1)	1.97%	1.98%	1.15%
Average life of option (years) (2)	6.6	6.9	7.0
Volatility (3)	25.58%	26.27%	24.94%
Dividend yield (4)	1.79%	2.48%	2.44%
Weighted-average grant-date fair value	\$ 14.62	\$ 12.88	\$ 6.75

(1) Represents the U.S. Treasury security rates for the expected term of the option.

(2) Represents the period of time that options granted are expected to be outstanding. The Company analyzed separate groups of employees with similar exercise behavior to determine the expected term.

(3) Volatility was based on historical and implied volatility of the Company's common stock.

(4) Represents the Company's forecasted cash dividend for the expected term.

The intrinsic value for options exercised in fiscal 2015, 2014 and 2013 was \$423 million, \$346 million and \$159 million, respectively. The total fair value of options vested in fiscal 2015, 2014 and 2013 was \$54 million, \$58 million and \$51 million, respectively.

Cash received from the exercise of options in fiscal 2015 was \$352 million compared to \$490 million in the prior year. The related tax benefit realized was \$159 million in fiscal 2015 compared to \$130 million in the prior year.

[Table of Contents](#)

The Walgreens Boots Alliance, Inc. Employees Stock Purchase Plan permits eligible employees to purchase common stock at 90% of the fair market value at the date of purchase. Employees may make purchases by cash or payroll deductions up to certain limits. The aggregate number of shares that may be purchased under this plan is 94 million. At August 31, 2015, 14 million shares were available for future purchase.

Restricted performance shares issued under the Omnibus Plan offer performance-based incentive awards and equity-based awards to key employees. Restricted stock units are also equity-based awards with performance requirements that are granted to key employees. The restricted performance shares and restricted stock unit awards are both subject to restrictions as to continuous employment except in the case of death, normal retirement or total and permanent disability. In accordance with ASC Topic 718, Compensation – Stock Compensation, compensation expense is recognized based on the market price of the Company’s common stock on the grant date and is recognized on a straight-line basis over the employee’s vesting period or to the employee’s retirement eligible date, if earlier.

A summary of information relative to the Company’s restricted stock units follows:

Outstanding Shares	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at August 31, 2014	3,280,067	\$ 45.40
Granted	1,157,312	66.26
Dividends	64,796	-
Forfeited	(636,244)	52.68
Vested	(531,479)	52.29
Outstanding at August 31, 2015	3,334,452	\$ 50.85

Unless otherwise noted, the fair value of each performance share granted assumes that performance goals will be achieved at 100 percent. If such goals are not met, no compensation expense is recognized and any recognized compensation expense is reversed. A summary of information relative to the Company's performance shares follows:

Outstanding Shares	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at August 31, 2014	2,063,132	\$ 44.85
Granted	483,174	65.31
Performance adjustment (1)	(615,445)	35.30
Forfeited	(444,961)	55.00
Vested	(40,120)	44.00
Outstanding at August 31, 2015	1,445,780	\$ 50.78

(1) Represents the adjustment to previously granted shares based on performance criteria.

The Company also issues shares to nonemployee directors. Each director receives an equity grant of shares every year on November 1. In fiscal 2013, the number of shares granted to each director was determined by dividing \$ 170 ,000 by the price of a share of common stock on November 1, 2012. In fiscal 2014 and 2015, the number of shares granted to each director was determined by dividing \$175,000 by the price of a share of common stock on November 1, 2013 and November 1, 2014, respectively. Each nonemployee director may elect to receive this annual share grant in the form of shares or deferred stock units. In fiscal 2015, there were 2,725 shares granted to nonemployee directors compared to 2,892 shares and 4,789 shares in fiscal 2014 and 2013, respectively. New directors in any fiscal year earned a prorated amount. Payment of the annual retainer is paid in the form of cash, which may be deferred.

A summary of total stock-based compensation expense follows (in millions):

	2015	2014	2013
Stock options	\$ 24	\$ 52	\$ 51
Restricted stock units	68	48	33
Performance shares	11	8	15
Other	6	6	5
	\$ 109	\$ 114	\$ 104

16. Retirement Benefits

The Company sponsors several retirement plans, including defined benefit plans, defined contribution plans and a postretirement health plan. Pursuant to the Second Step Transaction, the Company assumed a number of retirement benefit plans in the United Kingdom and other countries. The Company valued the assumed pension assets and liabilities on the acquisition date and uses an August 31 annual measurement date for its pension and post-retirement plans.

Defined Benefit Pension Plans (non-U.S. plans)

The principal defined benefit pension plan is the Boots Pension Plan covering 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 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 August 31, 2015. Prior to December 31, 2014, Alliance Boots was accounted for as an equity method investee and as such, pension costs were included for fiscal 2013, 2014 and fiscal 2015 prior to the date of the Second Step Transaction within Equity earnings in Alliance Boots.

Defined benefit pension plan assets were invested in the following classes of securities as of August 31, 2015:

	Percentage of Fair Market Value
Equity securities	9.5%
Debt securities	81.5%
Real estate	5.6%
Other	3.4%

The investment strategy of the principal defined benefit pension plan is to hold approximately 85% of its assets in a diverse portfolio of high quality bonds with the remainder invested in equity and real estate assets backing longer term liabilities. Interest rate and inflation rate swaps are also employed to complement the role of fixed and index-linked bond holdings in liability risk management.

The following table presents defined benefit pension plan assets using the fair value hierarchy as of August 31, 2015 (in millions).

	<u>August 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Equity securities (1)	\$ 852	\$ -	\$ 852	\$ -
Debt securities:				
Fixed interest government bonds (2)	267	-	267	-
Index linked government bonds (2)	1,006	-	1,006	-
Corporate bonds (3)	5,535	-	5,535	-
Other bonds (4)	472	-	472	-
Real estate:				
Real estate (5)	502	-	-	502
Other:				
Other investments (6)	302	25	275	2
Total	<u>\$ 8,936</u>	<u>\$ 25</u>	<u>\$ 8,407</u>	<u>\$ 504</u>

[Table of Contents](#)

- (1) Equity securities, which mainly comprise investments in comingled funds, are valued based on quoted prices and are primarily exchange-traded. Securities for which official close or last trade pricing on an active exchange is available are classified as Level 1 investments. If closing prices are not available, securities are valued at the last quoted bid price and typically are categorized as Level 2 investments.
- (2) Debt securities: government bonds comprise fixed interest and index linked bonds issued by central governments, and are valued based on quotes received from independent pricing services or from dealers who make markets in such securities. Pricing services utilize pricing which considers readily available inputs such as the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as dealer-supplied prices. Debt securities: government bonds are categorized as Level 2 investments.
- (3) Debt securities: corporate bonds comprise bonds issued by corporations and are valued using recently executed transactions, or quoted market prices for similar assets and liabilities in active markets, or for identical assets and liabilities in markets that are not active. If there have been no market transactions in a particular fixed income security, its fair value is calculated by pricing models that benchmark the security against other securities with actual market prices. Debt securities: corporate bonds are categorized as Level 2 investments.
- (4) Debt securities: other bonds comprise agency and mortgage-backed securities. These are valued using recently executed transactions and quoted market prices for similar assets and liabilities in active markets, or for identical assets and liabilities in markets that are not active. If there have been no market transactions in a particular fixed income security, its fair value is calculated by pricing models that benchmark the security against other securities with actual market prices. Debt securities: other bonds are categorized as Level 2 investments.
- (5) Real estate comprises investments in certain property funds which themselves are valued based on the value of the underlying properties. These properties are valued using a number of standard industry techniques such as cost, discounted cash flows, independent appraisals and market based comparable data. Real estate investments are categorized as Level 3 investments.
- (6) Other investments mainly comprise cash and cash equivalents and derivatives. Cash is categorized as a Level 1 investment. Cash equivalents are valued using observable yield curves, discounting and interest rates and are categorized as Level 2 investments. Derivatives which are exchange-traded and for which market quotations are readily available are valued at the last reported sale price or official closing price as reported by an independent pricing service on the primary market, or exchange on which they are traded, and are categorized as Level 1 investments. Over-the-counter derivatives typically are valued by independent pricing services and are categorized as Level 2 investments.

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

	Boots and Other Pension Plans
	2015
Service costs	\$ 3
Interest costs	214
Expected returns on plan assets	(173)
Settlements	(2)
Total net periodic pension costs	<u>\$ 42</u>

Change in benefit obligations for the defined benefit pension plans from the date of the Second Step Transaction (in millions):

	2015
Benefit obligation at December 31	\$ 8,827
Service costs	3
Interest costs	214
Amendments	(2)
Net actuarial (gain)	(103)
Benefits paid	(186)
Currency translation adjustments	(118)
Benefit obligation at August 31	<u>\$ 8,635</u>

[Table of Contents](#)

Change in plan assets for the defined benefit pension plans from the date of the Second Step Transaction (in millions):

	2015
Plan assets at fair value at December 31	\$ 8,987
Employer contributions	152
Benefits paid	(186)
Return on assets	91
Currency translation adjustments	(108)
Plan assets at fair value at August 31	<u>\$ 8,936</u>

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

	2015
Non-current assets	\$ 468
Current liabilities	1
Non-current liabilities	166
Net asset recognized at August 31	<u>\$ 301</u>

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

	2015
Prior service credit	\$ -
Net actuarial gain	21

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for all pension plans with accumulated benefit obligations in excess of plan assets at August 31, 2015 were as follows (in millions):

	2015
Projected benefit obligation	\$ 8,635
Accumulated benefit obligation	8,624
Fair value of plan assets	8,936

Estimated future benefit payments from defined benefit pension plans to participants are as follows (in millions):

	Estimated Future Benefit Payments
2016	\$ 288
2017	284
2018	293
2019	303
2020	311
2021-2025	1,707

[Table of Contents](#)

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

	<u>2015</u>
Weighted-average assumptions used to determine benefit obligations	
Discount rate	3.87%
Rate of compensation increase	2.55%
Weighted-average assumptions used to determine net periodic benefit cost	
Discount rate	3.77%
Expected long-term return on plan assets	2.99%
Rate of compensation increase	2.66%

The Company made cash contributions to its defined benefit pension plans of \$148 million from the date of the Second Step Transaction to August 31, 2015 which primarily related to committed deficit funding payments triggered by the Second Step Transaction. Based on current actuarial estimates, the Company plans to make contributions of \$75 million to its defined benefit pension plans in fiscal 2016 and expects to make contributions beyond 2016, which will vary based upon many factors, including the performance of the Company's pension investments.

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 Board of Directors. The profit-sharing provision was an expense of \$158 million, \$355 and \$342 million in fiscal 2015, 2014 and 2013, respectively. The Company's contributions were \$249 million, \$328 million and \$262 million in fiscal 2015, 2014 and 2013, respectively.

Following the Second Step Transaction, the Company also assumed certain contract based defined contribution arrangements. The principal one is the Alliance Boots Retirement Savings Plan, which is United Kingdom based and to which both the Company and participating employees contribute. The cost related to these arrangements recognized in the Consolidated Statements of Earnings from the date of the Second Step Transaction through August 31, 2015 was \$93 million.

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 costs (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Service cost	\$ 11	\$ 8	\$ 9
Interest cost	17	17	14
Amortization of actuarial loss	19	11	12
Amortization of prior service cost	(24)	(23)	(22)
Total postretirement benefit cost	<u>\$ 23</u>	<u>\$ 13</u>	<u>\$ 13</u>

Change in benefit obligation (in millions):

	<u>2015</u>	<u>2014</u>
Benefit obligation at September 1	\$ 427	\$ 350
Service cost	11	8
Interest cost	17	17
Amendments	(27)	(23)
Actuarial loss (gain)	17	88
Benefits paid	(21)	(19)
Participants' contributions	7	6
Benefit obligation at August 31	<u>\$ 431</u>	<u>\$ 427</u>

[Table of Contents](#)

Change in plan assets (in millions):

	2015	2014
Plan assets at fair value at September 1	\$ -	\$ -
Participants' contributions	7	6
Employer contributions	14	13
Benefits paid	(21)	(19)
Plan assets at fair value at August 31	<u>\$ -</u>	<u>\$ -</u>

Funded status (in millions):

	2015	2014
Funded status at August 31	\$ (431)	\$ (427)

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

	2015	2014
Current liabilities (present value of expected net benefit payments)	\$ (12)	\$ (11)
Non-current liabilities	(419)	(416)
Net liability recognized at August 31	<u>\$ (431)</u>	<u>\$ (427)</u>

Amounts recognized in accumulated other comprehensive (income) loss (in millions):

	2015	2014
Prior service credit	\$ (231)	\$ (228)
Net actuarial loss	223	225

Amounts expected to be recognized as components of net periodic costs for fiscal year 2016 (in millions):

	2016
Prior service credit	\$ (27)
Net actuarial loss	19

The discount rate assumption used to compute the postretirement benefit obligation at year-end was 4.78% for 2015, and 4.40% for 2014. The discount rate assumption used to determine net periodic benefit cost was 4.40%, 5.05% and 4.15% for fiscal years ending 2015, 2014 and 2013, respectively.

The consumer price index assumption used to compute the postretirement benefit obligation was 2.00% for 2015 and 2014.

Future benefit costs were estimated assuming medical costs would increase at a 7.15% annual rate, gradually decreasing to 5.25% over the next nine years and then remaining at a 5.25% annual growth rate thereafter. A one percentage point change in the assumed medical cost trend rate would have the following effects (in millions):

	1% Increase	1% Decrease
Effect on service and interest cost	\$ (1)	1
Effect on postretirement obligation	17	(13)

Estimated future federal subsidies are immaterial for all periods presented. Future benefit payments are as follows (in millions):

	Estimated Future Benefit Payments
2016	\$ 10
2017	11
2018	12
2019	13
2020	14
2021-2025	98

The expected benefit to be paid net of the estimated federal subsidy during fiscal year 2016 is \$10 million.

17. Capital Stock

In connection with the Company's capital policy, the Board of Directors has authorized share repurchase programs. In August 2014, the Company's Board of Directors authorized the 2014 stock repurchase program which authorizes the repurchase of up to \$3.0 billion of the Company's common stock prior to its expiration on August 31, 2016. The Company purchased 8.2 million shares under the 2014 stock repurchase program in fiscal 2015 at a cost of \$726 million.

The Company determines the timing and amount of repurchases based on its assessment of various factors including prevailing market conditions, alternate uses of capital, liquidity, the economic environment and other factors. The timing and amount of these purchases may change at any time and from time to time. The Company has repurchased, and may from time to time in the future repurchase, shares on the open market through Rule 10b5-1 plans, which enable a company to repurchase shares at times when it otherwise might be precluded from doing so under insider trading laws.

In addition, the Company continued to repurchase shares to support the needs of the employee stock plans. Shares totaling \$500 million were purchased to support the needs of the employee stock plans during fiscal 2015 as compared to \$705 million in fiscal 2014. At August 31, 2015, 46.2 million shares of common stock were reserved for future issuances under the Company's various employee benefit plans.

18. Accumulated Other Comprehensive Income (Loss)

The following is a summary of net changes in accumulated other comprehensive income by component and net of tax for fiscal 2015, 2014 and 2013 (in millions):

	Post- retirement Liability	Unrecognized Gains on Available-for- Sale Investments	Unrealized Loss on Cash Flow Hedges	Share of Alliance Boots OCI	Currency Translation Adjustments	Total
Balance at August 31, 2012	\$ 68	\$ -	\$ -	\$ -	\$ -	\$ 68
Other comprehensive income (loss) before reclassification adjustments	(9)	1	-	(146)	(93)	(247)
Tax benefit (provision)	4	-	-	51	32	87
Net other comprehensive income (loss)	(5)	1	-	(95)	(61)	(160)
Balance at August 31, 2013	63	1	-	(95)	(61)	(92)
Other comprehensive income (loss) before reclassification adjustments	(77)	170	(43)	(27)	330	353
Tax benefit (provision)	29	(64)	16	9	(115)	(125)
Net other comprehensive income (loss)	(48)	106	(27)	(18)	215	228
Balance at August 31, 2014	15	107	(27)	(113)	154	136
Other comprehensive income (loss) before reclassification adjustments	23	247	(14)	(57)	(779)	(580)
Amounts reclassified from accumulated OCI	-	-	(5)	230	80	305
Tax benefit (provision)	(9)	(95)	6	(60)	83	(75)
Net other comprehensive income (loss)	14	152	(13)	113	(616)	(350)
Balance at August 31, 2015	\$ 29	\$ 259	\$ (40)	\$ -	\$ (462)	\$ (214)

19. Segment Reporting

Prior to December 31, 2014, the Company's operations were within one reportable segment. As a result of the closing of the Second Step Transaction on December 31, 2014, (see Note 1, Organization, and Note 2, Summary of Major Accounting Policies), the Company has realigned its operations into three reportable segments: Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale. The operating segments have been identified based on the financial data utilized by the Company's Chief Executive Officer (the chief operating decision maker) to assess segment performance and allocate resources among the Company's operating segments, 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, in addition to providing 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, 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 accounting policies of the segments are in accordance with Note 2, Summary of Major Accounting Policies.

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 for fiscal 2015 reflects the operating results of the Company's new 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 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.

The Company has determined that it is impracticable to restate segment information for fiscal 2014 and 2013, as well as to provide disclosures under both the old basis and new basis of reporting for certain items. Specifically, WBAD operations historically have been recorded in the Retail Pharmacy USA segment and not restated as 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 have 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 periods as it is impracticable. Additionally, comparative information has not been restated to reflect the 45% equity interest in Alliance Boots.

[Table of Contents](#)

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		
For the Year Ended August 31, 2015					
Sales to external customers	\$ 80,974	\$ 8,657	\$ 13,813	\$ -	\$ 103,444
Intersegment sales	-	124	1,514	(1,638)	-
Total Sales	<u>\$ 80,974</u>	<u>\$ 8,781</u>	<u>\$ 15,327</u>	<u>\$ (1,638)</u>	<u>\$ 103,444</u>
Adjusted Operating Income	<u>\$ 5,098</u>	<u>\$ 616</u>	<u>\$ 450</u>	<u>\$ (7)</u>	<u>\$ 6,157</u>
Depreciation and amortization	\$ 1,217	\$ 393	\$ 120	\$ 12	\$ 1,742
Additions to property, plant and equipment	951	249	51	-	1,251
For the Year Ended August 31, 2014					
Sales to external customers	\$ 76,392	\$ -	\$ -	\$ -	\$ 76,392
Intersegment sales	-	-	-	-	-
Total Sales	<u>76,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,392</u>
Adjusted Operating Income	<u>\$ 4,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,866</u>
Depreciation and amortization	\$ 1,316	\$ -	\$ -	\$ -	\$ 1,316
Additions to property, plant and equipment	1,106	-	-	-	1,106
For the Year Ended August 31, 2013					
Sales to external customers	\$ 72,217	\$ -	\$ -	\$ -	\$ 72,217
Intersegment sales	-	-	-	-	-
Total Sales	<u>72,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,217</u>
Adjusted Operating Income	<u>\$ 4,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,828</u>
Depreciation and amortization	\$ 1,283	\$ -	\$ -	\$ -	\$ 1,283
Additions to property, plant and equipment	1,212	-	-	-	1,212

[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				
For the Year Ended August 31, 2015						
Adjusted Operating Income	\$ 5,098	\$ 616	\$ 450	\$ (7)	\$	6,157
Cost transformation						(542)
Acquisition-related amortization						(515)
LIFO provision						(285)
Asset impairment						(110)
Acquisition-related costs						(87)
Store closures and other optimization costs						(56)
Loss on sale of business						(17)
Increase in fair market value of warrants						123
Operating Income						<u>\$ 4,668</u>
For the Year Ended August 31, 2014						
Adjusted Operating Income	\$ 4,866	\$ -	\$ -	\$ -	\$ -	4,866
Acquisition-related amortization						(364)
LIFO provision						(132)
Store closure and other optimization costs						(271)
Acquisition-related costs						(82)
Increase in fair market value of warrants						168
Gain on sale of business						9
Operating Income						<u>\$ 4,194</u>
For the Year Ended August 31, 2013						
Adjusted Operating Income	\$ 4,828	\$ -	\$ -	\$ -	\$ -	4,828
Acquisition-related amortization						(394)
LIFO provision						(239)
Acquisition-related costs						(96)
Hurricane Sandy costs						(39)
DEA settlement costs						(28)
Distributor transition costs						(13)
Gain on sale of business						20
Increase in fair market value of warrants						53
Operating Income						<u>\$ 4,092</u>

No single customer accounted for more than 10% of the Company's consolidated net sales for any of the periods presented. One payer, OptumRx, accounted for approximately 12.3% of the Retail Pharmacy USA division's sales in fiscal 2015. One customer in the Retail Pharmacy International division, NHS England, accounted for approximately 20.0% of the division's sales in fiscal 2015.

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

	2015	2014	2013
United States	\$ 80,974	\$ 76,392	\$ 72,217
United Kingdom	9,235	-	-
Europe (excluding the United Kingdom)	11,402	-	-
Other	1,833	-	-
Net sales	<u>\$ 103,444</u>	<u>\$ 76,392</u>	<u>\$ 72,217</u>

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

	2015	2014
United States	\$ 11,327	\$ 12,257
United Kingdom	2,835	-
Europe (excluding the United Kingdom)	725	-
Other	181	-
Total long-lived assets	\$ 15,068	\$ 12,257

20. Supplementary Financial Information

As a result of the Second Step Transaction, the Company had the following non-cash transactions in fiscal 2015: \$9.0 billion for debt assumed; \$11.0 billion for the Company's common stock issued; \$2.6 billion of consideration attributable to WBAD; \$8.1 billion related to the fair value of the Company's 45% investment in Alliance Boots; \$26.6 billion in fair value of assets acquired; and \$20.0 billion in fair value of liabilities and non-controlling interests assumed. Significant non-cash transactions in fiscal 2014 include \$322 million for additional capital lease obligations. Significant non-cash transactions in fiscal 2013 include \$77 million related to the initial valuation of the AmerisourceBergen warrants.

Included in the Consolidated Balance Sheets captions are the following assets and liabilities (in millions):

	2015	2014
Accounts receivable		
Accounts receivable	\$ 7,021	\$ 3,391
Allowance for doubtful accounts	(172)	(173)
	\$ 6,849	\$ 3,218
Other non-current assets		
Warrants	\$ 2,140	\$ 553
Other equity method investments	1,242	74
Investment in AmerisourceBergen	1,147	887
Other	805	362
	\$ 5,334	\$ 1,876
Accrued expenses and other liabilities		
Accrued salaries and wages	\$ 1,357	\$ 1,123
Other	3,868	2,578
	\$ 5,225	\$ 3,701

Summary of Quarterly Results (Unaudited)

(In millions, except per share amounts)

	Quarter Ended				Fiscal Year
	November	February	May	August	
Fiscal 2015					
Net Sales	\$ 19,554	\$ 26,573	\$ 28,795	\$ 28,522	\$ 103,444
Gross Profit	5,296	6,882	7,481	7,265	26,924
Net Earnings attributable to Walgreens Boots Alliance, Inc.	850	2,042	1,302	26	4,220
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. -					
Basic	\$ 0.90	\$ 1.96	\$ 1.19	\$ 0.02	\$ 4.05
Diluted	0.89	1.93	1.18	0.02	4.00
Cash Dividends Declared Per Common Share	\$ 0.3375	\$ 0.3375	\$ 0.3375	\$ 0.3600	\$ 1.3725
Fiscal 2014					
Net Sales	\$ 18,329	\$ 19,605	\$ 19,401	\$ 19,057	\$ 76,392
Gross Profit	5,152	5,650	5,440	5,327	21,569
Net Earnings attributable to Walgreens Boots Alliance, Inc.	723	716	714	(221)	1,932
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. -					
Basic	\$ 0.76	\$ 0.75	\$ 0.75	\$ (0.23)	\$ 2.03
Diluted	0.75	0.74	0.74	(0.23)	2.00
Cash Dividends Declared Per Common Share	\$ 0.3150	\$ 0.3150	\$ 0.3150	\$ 0.3375	\$ 1.2825

Common Stock Prices (Unaudited)

The following table sets forth the sales price ranges of the Company's common stock by quarter during the fiscal years ended August 31, 2015 and August 31, 2014 as reported by the Consolidated Transaction Reporting System.

		Quarter Ended				Fiscal Year
		November	February	May	August	
Fiscal 2015	High	\$ 69.37	\$ 83.77	\$ 93.42	\$ 97.30	\$ 97.30
	Low	58.39	66.46	81.01	76.01	58.39
Fiscal 2014	High	\$ 60.93	\$ 69.84	\$ 71.97	\$ 76.39	\$ 76.39
	Low	48.18	54.86	62.80	57.75	48.18

21. Subsequent Event

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"), pursuant to which the Company agreed, subject to the terms and conditions thereof, to acquire Rite Aid, a drugstore chain in the United States with 4,561 stores in 31 states and the District of Columbia as of August 29, 2015. On the terms and subject to the conditions set forth in the Merger Agreement, Rite Aid will become a wholly-owned subsidiary of the Company and Rite Aid stockholders will be entitled to receive \$9.00 in cash for each outstanding share of Rite Aid common stock, for a total enterprise value of approximately \$17.2 billion, including acquired net debt. The transaction is expected to close in the second half of calendar 2016, subject to Rite Aid stockholder approval, regulatory approvals and other customary closing conditions.

We intend to finance the acquisition through a combination of cash on hand and debt financing. Concurrently with the signing of the Merger Agreement, the Company entered into a bridge facility commitment letter (the "Commitment Letter"), dated October 27, 2015, with UBS Securities LLC and UBS AG, Stamford Branch for a \$12.8 billion senior unsecured bridge facility (the "Facility"). The Facility, if funded, will mature 364 days after the initial borrowings; provided that the Company can extend up to \$3.0 billion of the Facility for an additional 90 day period if desired. The interest rate applicable to borrowings under the Facility will be LIBOR or the applicable base rate plus a margin. The financing commitments of the lenders are subject to certain customary conditions set forth in the Commitment Letter. We expect to obtain permanent financing for the transaction prior to the closing date, which would replace the Facility.

Management's Report on Internal Control

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation, management concluded that our internal control over financial reporting was effective as of August 31, 2015. Deloitte & Touche LLP, the Company's independent registered public accounting firm, has audited our internal control over financial reporting, as stated in its report which is included herein.

As described in Note 8, Acquisitions to the consolidated financial statements, we acquired a controlling interest in Alliance Boots GmbH and its subsidiaries (Alliance Boots) upon the closing of the Second Step Transaction on December 31, 2014. The scope of management's evaluation of the effectiveness of internal control over financial reporting did not include the internal controls of Alliance Boots. This exclusion is in accordance with the SEC Staff's general guidance that an assessment of a recent business combination may be omitted from management's report on internal control over financial reporting in the year of consolidation. Alliance Boots represented approximately 49.2% of the Company's total assets as of August 31, 2015 and 21.7% of the Company's net sales for the year ended August 31, 2015.

/s/ Stefano Pessina
Stefano Pessina
Executive Vice Chairman and Chief Executive Officer

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

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

To the Board of Directors and Shareholders of Walgreens Boots Alliance, Inc.:

We have audited the accompanying consolidated balance sheets of Walgreens Boots Alliance, Inc. (successor to Walgreen Co.) and subsidiaries (the “Company”) as of August 31, 2015 and 2014, and the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the three years in the period ended August 31, 2015. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits. For the years ended August 31, 2014 and 2013, we did not audit the consolidated financial statements of Alliance Boots GmbH (“Alliance Boots”), the Company’s investment in which was accounted for by use of the equity method (see note 6 to the consolidated financial statements). The accompanying 2014 and 2013 consolidated financial statements of the Company include its equity investment in Alliance Boots of \$7,336 million as of August 31, 2014, and its equity earnings in Alliance Boots of \$617 million and \$496 million for the years ended August 31, 2014 and 2013, respectively. The consolidated financial statements of Alliance Boots as of May 31, 2014 and for the year ended May 31, 2014 and for the ten months ended May 31, 2013, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Company’s equity investment and equity earnings in Alliance Boots, on the basis of International Financial Reporting Standards as issued by the International Accounting Standards Board, is based on the report of the other auditors. We have applied auditing procedures to the adjustments to reflect the Company’s equity investment and equity earnings in Alliance Boots in accordance with accounting principles generally accepted in the United States of America and auditing procedures to take into consideration the differences in reporting periods between Alliance Boots and the Company.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of Walgreens Boots Alliance, Inc. and subsidiaries as of August 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, the Company has elected to change its method of accounting for its equity investment and equity earnings in Alliance Boots to eliminate the three month reporting lag as of August 31, 2014 and for the years ended August 31, 2014 and 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of August 31, 2015, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated October 28, 2015 expressed an unqualified opinion on the Company’s internal control over financial reporting based on our audit.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
October 28, 2015

To the Board of Directors and Shareholders of Walgreens Boots Alliance, Inc.:

We have audited the internal control over financial reporting of Walgreens Boots Alliance, Inc. (successor to Walgreen Co.) and subsidiaries (the “Company”) as of August 31, 2015 based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management’s Report on Internal Control, management excluded from its assessment the internal control over financial reporting at Alliance Boots GmbH and its subsidiaries (Alliance Boots), in which the Company acquired a controlling interest on December 31, 2014, at which time Alliance Boots became wholly-owned. Alliance Boots represented approximately 49.2 % and 21.7 % of the Company’s total assets and net sales , respectively, as of and for the year ended August 31, 2015. Accordingly, our audit did not include the internal control over financial reporting at Alliance Boots. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2015, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended August 31, 2015 of the Company and our report dated October 28, 2015 expressed an unqualified opinion on those financial statements and includes an explanatory paragraph on a change in accounting method for equity investment and equity earnings in Alliance Boots GmbH to eliminate the three month reporting lag used prior to December 31, 2014.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
October 28, 2015

To the Board of Alliance Boots GmbH:

We have audited the non-statutory consolidated financial statements of Alliance Boots GmbH and its subsidiaries (the “Group”, not presented separately herein), which comprise the Group statements of financial position as at 31 May 2014 and 2013, and the related Group income statements, Group statements of comprehensive income, Group statements of changes in equity and Group statements of cash flows for the year ended 31 May 2014 and ten months ended 31 May 2013. These non-statutory consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on these non-statutory consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-statutory consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-statutory consolidated financial statements. An audit also includes assessing the accounting principles used and the significant accounting estimates made by management, as well as evaluating the overall presentation of the non-statutory consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-statutory consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 May 2014 and 2013, and the results of its operations and its cash flows for the year ended 31 May 2014 and ten months ended 31 May 2013 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board, including the requirements of IAS 34, Interim Financial Reporting.

/s/ KPMG LLP

London
United Kingdom
16 July 2014

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Form 10-K. The controls evaluation was conducted under the supervision and with the participation of the Company’s management, including its Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Upon completion of the Second Step Transaction on December 31, 2014, Alliance Boots became a consolidated subsidiary and ceased being accounted for under the equity method. As this occurred during fiscal 2015, the scope of management’s assessment of the effectiveness of the Company’s disclosure controls and procedures did not include the internal controls over financial reporting of Alliance Boots. This exclusion is in accordance with the SEC Staff’s general guidance that an assessment of a recently acquired business may be omitted from the scope of management’s assessment for one year following the acquisition. Based upon the controls evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Report on Internal Control Over Financial Reporting

Management’s report on internal control over financial reporting and the report of Deloitte & Touche LLP, the Company’s independent registered public accounting firm, related to their assessment of the effectiveness of internal control over financial reporting are included in Part II, Item 8 of this Form 10-K and are incorporated in this Item 9A by reference.

Changes in Internal Control over Financial Reporting

In 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, except as noted below, no changes during the quarter ended August 31, 2015 were identified that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. As a result of the closing of the Second Step Transaction, the Company has incorporated internal controls over significant processes specific to the acquisition that it believes to be appropriate and necessary in consideration of the level of related integration. As the post-closing integration continues, the Company will continue to review the internal controls and processes of Alliance Boots and may take further steps to integrate such controls and processes with those of the Company.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10, with the exception of the information relating to the executive officers of the Company, which is presented in Part I above under the heading "Executive Officers of the Registrant," is incorporated herein by reference to the following sections of the Company's Proxy Statement relating to its next Annual Meeting of Stockholders (the "Proxy Statement"): Proposal 1, Election of Directors; The Board of Directors, Board Committees and Corporate Governance; and Section 16(a) Beneficial Ownership Reporting Compliance.

[Table of Contents](#)

The Company has adopted a Code of Conduct and Business Ethics applicable to all employees, officers and directors that incorporates policies and guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. The Company has also adopted a Code of Ethics for CEO and Financial Executives. This Code applies to and has been signed by the Chief Executive Officer, the Chief Financial Officer and the Controller. The Company intends to promptly disclose on its website in accordance with applicable rules required disclosure of changes to or waivers, if any, of the Code of Ethics for CEO and Financial Executives or the Code of Conduct and Business Ethics for directors and executive officers.

Charters of all committees of the Company's Board of Directors, as well as the Company's Corporate Governance Guidelines and Code of Ethics for CEO and Financial Executives and Code of Conduct and Business Ethics, are available on the Company's website at investor.walgreensbootsalliance.com or, upon written request and free of charge, in printed hardcopy form. Written requests should be sent to Walgreens Boots Alliance, Inc., Attention: Investor Relations, Mail Stop #1833, 108 Wilmot Road, Deerfield, Illinois 60015.

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference to the following sections of the Company's Proxy Statement: Director Compensation; and Executive Compensation.

The material incorporated herein by reference to the material under the caption "Compensation Committee Report" in the Proxy Statement shall be deemed furnished, and not filed, in this Form 10-K and shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, as a result of this furnishing, except to the extent that the Company specifically incorporates it by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is incorporated herein by reference to the following sections of the Company's Proxy Statement: Security Ownership of Certain Beneficial Owners and Management; and Equity Compensation Plans.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by Item 13 is incorporated herein by reference to the following sections of the Company's Proxy Statement: Certain Relationships and Related Transactions; and The Board of Directors, Board Committees and Corporate Governance.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated herein by reference to the following sections of the Company's Proxy Statement: Independent Registered Public Accounting Firm Fees and Services .

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

- (1) ***Financial statements.*** The following financial statements, supplementary data, and reports of independent public accountants appear in Part II, Item 8 of this Form 10-K and are incorporated herein by reference.

Consolidated Balance Sheets at August 31, 2015 and 2014

Consolidated Statements of Equity, Earnings, Comprehensive Income and Cash Flows for the years ended August 31, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

Management's Report on Internal Control

Reports of Independent Registered Public Accounting Firms

(2) **Financial statement schedules and supplementary information**

Schedules I, II, III, IV and V are not submitted because they are not applicable or not required or because the required information is included in the Financial Statements referenced in (1) above or the notes thereto.

Other Financial Statements –

Alliance Boots GmbH

On August 2, 2012, we completed a 45% equity investment in Alliance Boots GmbH that we accounted for using the equity method of accounting. Upon completion of the Second Step Transaction on December 31, 2014, Alliance Boots became a consolidated subsidiary and ceased being accounted for under the equity method. For the period accounted for as an equity method investment, SEC Rule 3-09 of Regulation S-X requires that we include or incorporate by reference certain Alliance Boots GmbH financial statements in this Form 10-K if our investment was considered to be significant in the context of Rule 3-09. Alliance Boots GmbH audited consolidated financial statements and accompanying notes (prepared in accordance with IFRS and audited in accordance with U.S. GAAS), including the statements of financial position at March 31, 2014 and 2013 of Alliance Boots and its subsidiaries (the Group) and the related Group income statements, Group statements of comprehensive income, Group statements of changes in equity and Group statements of cash flows for each of the years in the three -year period ended March 31, 2014 are filed as Exhibit 99.1 hereto and incorporated herein by reference. Alliance Boots GmbH consolidated financial statements and accompanying notes (prepared in accordance with IFRS) including the Group statements of financial position at December 31, 2014 and 2013, and the related Group income statements, Group statements of comprehensive income, Group statements of changes in equity and Group statements of cash flows for each of the nine month periods then ended are filed as Exhibit 99.2 hereto and incorporated herein by reference.

(3) **Exhibits.** Exhibits 10.1 through 10.82 constitute management contracts or compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(b) of this Form 10-K.

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

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

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

(b) Exhibits

Exhibit

No.	Description	SEC Document Reference
2.1*	Purchase and Option Agreement by and among Walgreen Co., Alliance Boots GmbH and AB Acquisitions Holdings Limited dated June 18, 2012 and related annexes.	Incorporated by reference to Annex B-1 to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 (File No. 333-198768) filed with the SEC pursuant to Rule 424(b)(3) on November 24, 2014.
2.2*	Amendment No. 1, dated August 5, 2014, to the Purchase and Option Agreement and Walgreen Co. Shareholders Agreement, by and among Walgreen Co., Alliance Boots GmbH, AB Acquisitions Holdings Limited, Walgreen Scotland Investments LP, KKR Sprint (European II) Limited, KKR Sprint (2006) Limited and KKR Sprint (KPE) Limited, Alliance Santé Participations S.A., Stefano Pessina and Kohlberg Kravis Roberts & Co. L.P.	Incorporated by reference to Annex B-2 to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 (File No. 333-198768) filed with the SEC pursuant to Rule 424(b)(3) on November 24, 2014.
2.3	Reorganization Agreement and Plan of Merger, dated October 17, 2014, by and among Walgreen Co., Walgreens Boots Alliance, Inc. and Ontario Merger Sub, Inc.	Incorporated by reference to Annex A to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 (File No. 333-198768) filed with the SEC pursuant to Rule 424(b)(3) on November 24, 2014.
2.4	Amendment No. 1, dated December 23, 2014, to the Reorganization Agreement and Plan of Merger, dated October 17, 2014, by and among Walgreen Co., Walgreens Boots Alliance, Inc. and Ontario Merger Sub, Inc.	Incorporated by reference to Exhibit 2.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on December 24, 2014.
2.5	Amendment No. 2, dated December 29, 2014, to the Reorganization Agreement and Plan of Merger, dated October 17, 2014, as amended December 23, 2014, by and among Walgreen Co., Walgreens Boots Alliance, Inc. and Ontario Merger Sub, Inc.	Incorporated by reference to Exhibit 2.3 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2014 (File No. 1-36759) filed with the SEC on December 30, 2014.
3.1	Amended and Restated Certificate of Incorporation of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 3.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K12B (File No. 1-36759) filed with the SEC on December 31, 2014.
3.2	Amended and Restated Bylaws of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 3.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on October 16, 2015.
4.1**	Indenture, dated as of July 17, 2008, between Walgreen Co. and Wells Fargo Bank, National Association, as trustee.	Incorporated by reference to Exhibit 4.1 to Walgreen Co.'s registration statement on Form S-3ASR (File No. 333-198443) filed with the SEC on September 16, 2014.
4.2	Form of Walgreen Co. 5.25% Note due 2019.	Incorporated by reference to Exhibit 4.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 13, 2009.
4.3	Form of Walgreen Co. 3.100% Note due 2022.	Incorporated by reference to Exhibit 4.4 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on September 13, 2012.
4.4	Form of Walgreen Co. 4.400% Note due 2042.	Incorporated by reference to Exhibit 4.5 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on September 13, 2012.
4.5	Form of Guarantee of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 4.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K12B (File No. 1-36759) filed with the SEC on December 31, 2014.
4.6	Indenture dated November 18, 2014 among Walgreens Boots Alliance, Inc. and Wells Fargo Bank, National Association, as trustee.	Incorporated by reference to Exhibit 4.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.

[Table of Contents](#)

4.7	Form of Floating Rate Notes due 2016.	Incorporated by reference to Exhibit 4.2 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.8	Form of 1.750% Notes due 2017.	Incorporated by reference to Exhibit 4.3 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.9	Form of 2.700% Notes due 2019.	Incorporated by reference to Exhibit 4.4 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.10	Form of 3.300% Notes due 2021.	Incorporated by reference to Exhibit 4.5 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.11	Form of 3.800% Notes due 2024.	Incorporated by reference to Exhibit 4.6 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.12	Form of 4.500% Notes due 2034.	Incorporated by reference to Exhibit 4.7 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.13	Form of 4.800% Notes due 2044.	Incorporated by reference to Exhibit 4.8 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.14	Form of 2.875% Notes due 2020 (£).	Incorporated by reference to Exhibit 4.2 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 20, 2014.
4.15	Form of 3.600% Notes due 2025 (£).	Incorporated by reference to Exhibit 4.3 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 20, 2014.
4.16	Form of 2.125% Notes due 2026 (€).	Incorporated by reference to Exhibit 4.4 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 20, 2014.
4.17	Shareholders Agreement, dated as of August 2, 2012, among Walgreen Co., Stefano Pessina, KKR Sprint (European II) Limited, KKR Sprint (2006) Limited and KKR Sprint (KPE) Limited, Alliance Santé Participations S.A., Kohlberg Kravis Roberts & Co. L.P. and certain other investors party thereto.	Incorporated by reference to Exhibit 4.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 6, 2012.
4.18	Amendment No. 1, dated August 5, 2014, to the Purchase and Option Agreement and Walgreen Co. Shareholders Agreement, by and among Walgreen Co., Alliance Boots GmbH, AB Acquisitions Holdings Limited, Walgreen Scotland Investments LP, KKR Sprint (European II) Limited, KKR Sprint (2006) Limited and KKR Sprint (KPE) Limited, Alliance Santé Participations S.A., Stefano Pessina and Kohlberg Kravis Roberts & Co. L.P.	Incorporated by reference to Exhibit 2.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 6, 2014.
10.1	Walgreens Boots Alliance, Inc. Management Incentive Plan (as amended and restated effective December 31, 2014).	Incorporated by reference to Exhibit 10.6 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K12B (File No. 1-36759) filed with the SEC on December 31, 2014.
10.2	Walgreens Boots Alliance, Inc. 2011 Cash-Based Incentive Plan (as amended and restated effective December 31, 2014).	Incorporated by reference to Exhibit 10.5 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K12B (File No. 1-36759) filed with the SEC on December 31, 2014.

[Table of Contents](#)

10.3	Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan (as amended and restated effective July 8, 2015).	Filed herewith.
10.4	Form of Restricted Stock Unit Award agreement (effective January 2015).	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on January 21, 2015.
10.5	Form of Performance Share Award agreement (effective October 2015).	Filed herewith.
10.6	Form of Stock Option Award agreement (effective October 2015).	Filed herewith.
10.7	Form of Restricted Stock Unit Agreement, as amended (Special Transition Awards).	Incorporated by reference to Exhibit 10.2 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on December 24, 2014.
10.8	Form of Restricted Stock Unit Agreement (Messrs. Skinner and Pessina).	Incorporated by reference to Exhibit 10.6 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.9	Form of Restricted Stock Unit Award agreement (effective July 2014).	Incorporated by reference to Exhibit 10.3 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 8, 2014.
10.10	Form of Performance Share Award agreement (effective July 2014).	Incorporated by reference to Exhibit 10.4 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 8, 2014.
10.11	Form of Stock Option Award agreement (effective July 2014).	Incorporated by reference to Exhibit 10.5 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 8, 2014.
10.12	Forms of Restricted Stock Unit Award agreement (effective October 2013).	Incorporated by reference to Exhibit 10.4 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2013 (File No. 1-00604).
10.13	Form of Performance Share Award agreement (effective January 10, 2013).	Incorporated by reference to Exhibit 10.3 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 14, 2013.
10.14	Form of Stock Option Award agreement (effective January 10, 2013).	Incorporated by reference to Exhibit 10.4 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 14, 2013.
10.15	Form of Amendment to Stock Option Award agreements.	Incorporated by reference to Exhibit 10.11 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2014 (File No. 1-00604) filed with the SEC on October 20, 2014.
10.16	UK Sub-Plan under the Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan.	Filed herewith.
10.17	Form of Stock Option Award agreement under UK Sub-plan (effective October 2015).	Filed herewith.

[Table of Contents](#)

10.18	Walgreen Co. Long-Term Performance Incentive Plan (amendment and restatement of the Walgreen Co. Restricted Performance Share Plan).	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 11, 2007.
10.19	Walgreen Co. Long-Term Performance Incentive Plan Amendment No. 1 (effective January 10, 2007).	Incorporated by reference to Exhibit 10.2 to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2007 (File No. 1-00604).
10.20	Walgreen Co. Long-Term Performance Incentive Plan Amendment No. 2.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on April 14, 2011.
10.21	Form of Restricted Stock Unit Award Agreement (August 15, 2011 grants).	Incorporated by reference to Exhibit 10.5 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2011 (File No. 1-00604).
10.22	Form of Restricted Stock Unit Award Agreement (effective November 1, 2012).	Incorporated by reference to Exhibit 10.7 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2012 (File No. 1-00604).
10.23	Form of Performance Share Contingent Award Agreement (effective September 1, 2011).	Incorporated by reference to Exhibit 10.8 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2011 (File No. 1-00604).
10.24	Walgreen Co. Executive Stock Option Plan (as amended and restated effective January 13, 2010).	Incorporated by reference to Exhibit 99.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 20, 2010.
10.25	Form of Stock Option Agreement (Benefit Indicator 512—515) (effective September 1, 2011).	Incorporated by reference to Exhibit 10.11 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2011 (File No. 1-00604).
10.26	Form of Stock Option Agreement (Benefit Indicator 516 and above) (effective September 1, 2011).	Incorporated by reference to Exhibit 10.12 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2011 (File No. 1-00604).
10.27	Walgreen Co. 1986 Executive Deferred Compensation/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1986 (File No. 1-00604).
10.28	Walgreen Co. 1988 Executive Deferred Compensation/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 1987 (File No. 1-00604).
10.29	Amendments to Walgreen Co. 1986 and 1988 Executive Deferred Compensation/ Capital Accumulation Plans.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 1988 (File No. 1-00604).
10.30	Walgreen Co. 1992 Executive Deferred Compensation/Capital Accumulation Plan Series 1.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1992 (File No. 1-00604).
10.31	Walgreen Co. 1992 Executive Deferred Compensation/Capital Accumulation Plan Series 2.	Incorporated by reference to Exhibit 10 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1992 (File No. 1-00604).
10.32	Walgreen Co. 1997 Executive Deferred Compensation/Capital Accumulation Plan Series 1.	Incorporated by reference to Exhibit 10(c) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-00604).
10.33	Walgreen Co. 1997 Executive Deferred Compensation/Capital Accumulation Plan Series 2.	Incorporated by reference to Exhibit 10(d) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-00604).

[Table of Contents](#)

10.34	Walgreen Co. 2001 Executive Deferred Compensation/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10(g) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2001 (File No. 1-00604).
10.35	Walgreen Co. 2002 Executive Deferred Compensation/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10(g) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2002 (File No. 1-00604).
10.36	Amendment to the Walgreen Co. 1986, 1988, 1992 (Series 1), 1992 (Series 2), 1997 (Series 1), 1997 (Series 2), 2001 and 2002 Executive Deferred Compensation/ Capital Accumulation Plans.	Incorporated by reference to Exhibit 10.3 to Walgreen Co.'s Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2009 (File No. 1-00604).
10.37	Walgreen Co. 2006 Executive Deferred Compensation/Capital Accumulation Plan (effective January 1, 2006).	Incorporated by reference to Exhibit 10(b) to Walgreen Co.'s Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2005 (File No. 1-00604).
10.38	Walgreen Co. 2011 Executive Deferred Compensation Plan.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 12, 2010.
10.39	Amendment No. 1 to the Walgreen Co. 2011 Executive Deferred Compensation Plan.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 19, 2011.
10.40	Walgreens Boots Alliance, Inc. Executive Deferred Profit-Sharing Plan (as amended and restated effective December 31, 2014).	Incorporated by reference to Exhibit 10.3 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K12B (File No. 1-36759) filed with the SEC on December 31, 2014.
10.41	Share Walgreens Stock Purchase/Option Plan (effective October 1, 1992), as amended.	Incorporated by reference to Exhibit 10(d) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2003 (File No. 1-00604).
10.42	Share Walgreens Stock Purchase/Option Plan Amendment No. 4 (effective July 15, 2005), as amended.	Incorporated by reference to Exhibit 10(h)(ii) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2005 (File No. 1-00604).
10.43	Share Walgreens Stock Purchase/Option Plan Amendment No. 5 (effective October 11, 2006).	Incorporated by reference to Exhibit 10(b) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2006 (File No. 1-00604).
10.44	Walgreen Select Senior Executive Retiree Medical Expense Plan.	Incorporated by reference to Exhibit 10(j) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 1996 (File No. 1-00604).
10.45	Walgreen Select Senior Executive Retiree Medical Expense Plan Amendment No. 1 (effective August 1, 2002).	Incorporated by reference to Exhibit 10(a) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2003 (File No. 1-00604).
10.46	Walgreen Co. 162(m) Deferred Compensation Plan, as amended and restated.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on October 17, 2011.
10.47	Walgreens Boots Alliance, Inc. Executive Severance and Change in Control Plan (as amended and restated effective December 31, 2014).	Incorporated by reference to Exhibit 10.4 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K12B (File No. 1-36759) filed with the SEC on December 31, 2014.

[Table of Contents](#)

10.48	Rules of the Alliance Boots 2012 Long Term Incentive Plan, as amended.	Incorporated by reference to Exhibit 10.11 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.49	Form of Award Agreement for Alliance Boots 2012 Long Term Incentive Plan.	Incorporated by reference to Exhibit 10.12 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.50	Alliance Boots Senior Management Annual Incentive Plan 2014/2015 – Bonus Scheme Rules (Groups/Divisions).	Incorporated by reference to Exhibit 10.13 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.51	Offer Letter agreement between Stefano Pessina and Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 10.29 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.52	Employment Agreement between Alliance UniChem Plc and George Fairweather, dated March 28, 2002.	Incorporated by reference to Exhibit 10.14 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.53	Agreement between Alliance Boots plc and George Fairweather, dated July 31, 2006.	Incorporated by reference to Exhibit 10.15 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.54	Corporate Travel and Expense Support Letter Agreement between Walgreens Boots Alliance, Inc. and George Fairweather, dated October 28, 2015.	Filed herewith.
10.55	Employment Agreement between Alliance UniChem Services Limited and Marco Pagni, dated June 1, 2005.	Incorporated by reference to Exhibit 10.16 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.56	Letter Agreement with Marco Pagni, dated May 14, 2012.	Incorporated by reference to Exhibit 10.17 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.57	Corporate Travel and Expense Support Letter Agreement between Walgreens Boots Alliance, Inc. and Marco Pagni, dated October 28, 2015.	Filed herewith.
10.58	Service Agreement between Boots UK Limited and Alex Gourlay, dated January 29, 2009.	Incorporated by reference to Exhibit 10.18 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.59	Letter Agreement between Alliance Boots Management Services Limited and Alex Gourlay, dated June 28, 2010.	Incorporated by reference to Exhibit 10.19 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.

[Table of Contents](#)

10.60	Employment Agreement between Alliance UniChem Plc and Ornella Barra dated December 10, 2002.	Incorporated by reference to Exhibit 10.20 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.61	Agreement among Alliance Boots plc, Alliance UniChem Plc and Ornella Barra, dated July 31, 2006.	Incorporated by reference to Exhibit 10.21 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.62	Novation of Services Agreement among Alliance Boots Holdings Limited, Alliance Boots Management Services MC S.A.M and Ornella Barra, dated June 1, 2013.	Incorporated by reference to Exhibit 10.22 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.63	Service Agreement between Boots Management Services Limited and Simon Roberts, dated July 11, 2013.	Incorporated by reference to Exhibit 10.23 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.64	Services Agreement between Boots Management Services Limited and Ken Murphy, dated October 1, 2013.	Incorporated by reference to Exhibit 10.24 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.65	Summary of Retention Arrangement with Jan Stern Reed.	Incorporated by reference to Exhibit 10.25 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.66	drugstore.com, inc., 1998 Stock Plan, as amended.	Incorporated by reference to Exhibit 99.1 to Walgreen Co.'s Registration Statement on Form S-8 (File No. 333-174811) filed with the SEC on June 9, 2011.
10.67	drugstore.com, inc., 2008 Equity Incentive Plan, as amended.	Incorporated by reference to Exhibit 99.2 to Walgreen Co.'s Registration Statement on Form S-8 (File No. 333-174811) filed with the SEC on June 9, 2011.
10.68	Walgreens Boots Alliance, Inc. Long-Term Global Assignment Relocation Policy	Filed herewith.
10.69	Secondment Agreement dated September 27, 2013 between Alliance Boots Management Services Limited and Walgreen Co.	Incorporated by reference to Exhibit 10.52 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2013 (File No. 1-00604).
10.70	Assignment Letter dated September 27, 2013 between Alexander Gourlay and Alliance Boots Management Services Ltd.	Incorporated by reference to Exhibit 10.53 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2013 (File No. 1-00604).
10.71	Assignment Agreement dated November 15, 2012 between Walgreen Co. and Jeffrey Berkowitz.	Incorporated by reference to Exhibit 10.3 to Walgreen Co.'s Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2014 (File No. 1-00604).
10.72	Transition and Separation Agreement dated August 4, 2014 between Walgreen Co. and Wade D. Miquelon	Incorporated by reference to Exhibit 10.2 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 4, 2014.
10.73	Retirement Agreement and Release dated August 5, 2014 between Walgreen Co. and Kermit Crawford.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 8, 2014.

[Table of Contents](#)

10.74	Consulting Services Agreement entered as of August 5, 2014 between Walgreen Co. and Kermit Crawford.	Incorporated by reference to Exhibit 10.2 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 8, 2014.
10.75	Retirement Agreement and Release between Walgreens Boots Alliance, Inc., Walgreen Co. and Gregory D. Wasson.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on January 14, 2015.
10.76	Offer letter agreement dated July 30, 2014 between Timothy R. McLevish and Walgreen Co.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 4, 2014
10.77	Consulting Services Agreement between Walgreens Boots Alliance, Inc. and Timothy McLevish dated as of January 26, 2015.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on January 30, 2015.
10.78	Form of Restricted Stock Unit Agreement (McLevish).	Incorporated by reference to Exhibit 10.28 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015
10.79	Separation Agreement dated as of May 26, 2015 between Walgreens Boots Alliance, Inc. and Timothy Theriault.	Filed herewith.
10.80	Consulting Services Agreement entered as of May 26, 2015 between Walgreens Boots Alliance, Inc. and Timothy Theriault.	Filed herewith.
10.81	Separation Agreement, General Release and Waiver dated October 14, 2015 between Walgreens Boots Alliance, Inc. Walgreen Co. and Jeffrey Berkowitz.	Filed herewith.
10.82	Offer letter agreement between Kimberly R. Scardino and Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on August 4, 2015.
10.83	Shareholders' Agreement, dated as of August 2, 2012, by and among Alliance Boots GmbH, AB Acquisition Holdings Limited and Walgreen Co.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 6, 2012.
10.84	Framework Agreement, dated as of March 18, 2013, by and among Walgreen Co., Alliance Boots GmbH and AmerisourceBergen Corporation, including as Annex B-1 thereto, the form of Warrant 1 and, as Annex B-2 thereto, the form of Warrant 2.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on March 20, 2013.
10.85	Shareholders Agreement, dated as of March 18, 2013, by and among Walgreen Co., Alliance Boots GmbH and AmerisourceBergen Corporation.	Incorporated by reference to Exhibit 10.2 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on March 20, 2013.
10.86	Transaction Rights Agreement, dated as of March 18, 2013, by and among Walgreen Co., Walgreens Pharmacy Strategies, LLC, Alliance Boots GmbH, Alliance Boots Luxembourg S.à r.l., and WAB Holdings LLC.	Incorporated by reference to Exhibit 10.3 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on March 20, 2013.
10.87	Nomination and Support Agreement, dated as of September 5, 2014, between JANA Partners LLC and Walgreen Co.	Incorporated by reference to Exhibit 99.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on September 8, 2014.

Table of Contents

10.88	Term Loan Credit Agreement, dated as of November 10, 2014, among Walgreen Co., Walgreens Boots Alliance, Inc., the lenders from time to time party thereto, and Bank of America, N.A., as administrative agent.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 12, 2014.
10.89	Revolving Credit Agreement, dated as of November 10, 2014, among Walgreen Co., 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 Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 12, 2014.
10.90	Revolving Credit Agreement, dated as of December 19, 2014, among Walgreen Co., Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on December 24, 2014.
10.91	First Amendment, dated as of July 9, 2015, to Revolving Credit Agreement, dated as of December 19, 2014, among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended May 31, 2015 (File No. 1-36759) filed with the SEC on July 9, 2015.
12.	Computation of Ratio of Earnings to Fixed Charges.	Filed herewith.
21.	Subsidiaries of the Registrant.	Filed herewith.
23.1	Consent of Deloitte & Touche LLP.	Filed herewith.
23.2	Consent of KPMG LLP.	Filed herewith.
23.3	Consent of KPMG LLP.	Filed herewith.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished herewith.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished herewith.
99.1	Alliance Boots GmbH audited consolidated financial statements comprised of the Group statements of financial position at March 31, 2014 and 2013, and the related Group income statements, Group statements of comprehensive income, Group statements of changes in equity and Group statements of cash flows for each of the years in the three -year period ended March 31, 2014.	Incorporated by reference to Exhibit 99.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on May 15, 2014 .
99.2	Alliance Boots GmbH interim condensed consolidated financial statements comprised of the Group interim consolidated condensed statement of financial position at December 31, 2014 and 2013, and the related Group interim consolidated condensed income statement, Group interim consolidated condensed statement of comprehensive income, Group interim consolidated condensed statement of changes in equity and Group interim consolidated condensed statement of cash flows for each of the nine month periods then ended.	Filed herewith.

Table of Contents

99.3	Unaudited Pro Forma Consolidated Financial Information	Filed 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.

* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Copies of any omitted schedule or exhibit will be furnished supplementally to the SEC upon request.

** Other instruments defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries may be omitted from Exhibit 4 in accordance with Item 601(b)(4)(iii)(A) of Regulation S-K. Copies of any such agreements will be furnished supplementally to the SEC upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WALGREENS BOOTS ALLIANCE, INC.

October 28, 2015

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

Pursuant to the requirements of the Securities and Exchange Act of 1934 this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Stefano Pessina</u> Stefano Pessina	Executive Vice Chairman and Chief Executive Officer (Principal Executive Officer) and Director	October 28, 2015
<u>/s/ George R. Fairweather</u> George R. Fairweather	Executive Vice President and Global Chief Financial Officer (Principal Financial Officer)	October 28, 2015
<u>/s/ Kimberly R. Scardino</u> Kimberly R. Scardino	Senior Vice President, Global Controller and Chief Accounting Officer (Principal Accounting Officer)	October 28, 2015
<u>/s/ James A. Skinner</u> James A. Skinner	Executive Chairman	October 28, 2015
<u>/s/ Janice M. Babiak</u> Janice M. Babiak	Director	October 28, 2015
<u>/s/ David J. Brailer</u> David J. Brailer	Director	October 28, 2015
<u>/s/ William C. Foote</u> William C. Foote	Director	October 28, 2015
<u>/s/ Ginger L. Graham</u> Ginger L. Graham	Director	October 28, 2015
<u>/s/ John A. Lederer</u> John A. Lederer	Director	October 28, 2015
<u>/s/ Dominic P. Murphy</u> Dominic P. Murphy	Director	October 28, 2015
<u>/s/ Barry Rosenstein</u> Barry Rosenstein	Director	October 28, 2015
<u>/s/ Leonard D. Schaeffer</u> Leonard D. Schaeffer	Director	October 28, 2015
<u>/s/ Nancy M. Schlichting</u> Nancy M. Schlichting	Director	October 28, 2015

INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.3	Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan (as amended and restated effective July 8, 2015).
10.5	Form of Performance Share Award agreement (effective October 2015).
10.6	Form of Stock Option Award agreement (effective October 2015).
10.16	UK Sub-Plan under the Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan.
10.17	Form of Stock Option Award agreement under UK Sub-plan (effective October 2015).
10.54	Corporate Travel and Expense Support Letter Agreement between Walgreens Boots Alliance, Inc. and George Fairweather, dated October 28, 2015.
10.57	Corporate Travel and Expense Support Letter Agreement between Walgreens Boots Alliance, Inc. and Marco Pagni, dated October 28, 2015.
10.68	Walgreens Boots Alliance, Inc. Long-Term Global Assignment Relocation Policy.
10.79	Separation Agreement dated as of May 26, 2015 between Walgreens Boots Alliance, Inc. and Timothy Theriault.
10.80	Consulting Services Agreement entered as of May 26, 2015 between Walgreens Boots Alliance, Inc. and Timothy Theriault.
10.81	Separation Agreement, General Release and Waiver dated October 14, 2015 between Walgreens Boots Alliance, Inc., Walgreen Co. and Jeffrey Berkowitz.
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of KPMG LLP.
23.3	Consent of KPMG LLP.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.
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.

[99.2](#) Alliance Boots GmbH interim condensed consolidated financial statements comprised of the Group interim condensed consolidated statement of financial position at December 31, 2014 and 2013, and the related Group interim condensed consolidated income statement, Group interim condensed consolidated statement of comprehensive income, Group interim condensed consolidated statement of changes in equity and Group interim condensed consolidated statement of cash flows for each of the nine month periods then ended.

[99.3](#) Unaudited Pro Forma Consolidated Financial Information

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

AMENDED AND RESTATED EFFECTIVE JULY 8, 2015

Walgreens Boots Alliance, Inc.

2013 Omnibus Incentive Plan

TABLE OF CONTENTS

	<u>Page</u>
I. Background	1
II. Purpose	2
III. Definitions	2
IV. Administration	10
4.01 Authority of the Committee	10
4.02 Manner of Exercise of Committee Authority	11
4.03 Advisors and Agents of the Committee	12
4.04 Records and Reports of the Committee	12
4.05 Limitation of Liability; Indemnification	12
4.06 Expenses	12
4.07 Service in More than One Capacity	12
V. Shares Subject to Plan	13
5.01 Overall Number of Shares Available for Delivery	13
5.02 Share Counting Rules	13
5.03 Per Person Award Limits	14
5.04 Adjustments	14
5.05 Former Plans	15
VI. Eligibility and General Conditions for Awards	15
6.01 Eligibility	15
6.02 Awards	15
6.03 Award Agreement	15
6.04 Vesting; Termination of Service	15
6.05 Nontransferability of Awards	17
6.06 Cancellation and Rescission of Awards	19
6.07 Stand-Alone, Tandem and Substitute Awards	19
6.08 Deferred Awards	20
VII. Specific Provisions for Awards	21
7.01 Options	21
7.02 Stock Appreciation Rights	22
7.03 Restricted Stock Shares	23

7.04	Restricted Stock Units	24
7.05	Dividend Equivalents	24
7.06	Performance Shares and Performance Units	25
7.07	Annual Equity Grants, Deferred Stock Units and Deferrals for Non-Employee Directors	26
7.08	Bonus Stock and Other Awards	30
7.09	Cash Awards	31
VIII.	Performance Awards	31
8.01	Performance Awards Generally	31
8.02	Performance Awards Under Section 162(m) of the Code	31
8.03	Performance Criteria	33
8.04	Settlement of Performance Awards	34
8.05	Written Determinations	35
8.06	Additional and Substitute Awards	35
8.07	Interest	35
8.08	Exemptions from Section 16(b) Liability	35
IX.	Change in Control	35
9.01	Committee Discretion for Awards that are not 409A Compensation	35
9.02	Effect of Change in Control on 409A Compensation	36
X.	General Provisions	36
10.01	Additional Award Forfeiture Provisions	36
10.02	Compliance with Legal and Other Requirements	37
10.03	Designation of Beneficiary	38
10.04	Tax Provisions	38
10.05	Limitation on Benefits	39
10.06	Amendment and Termination of the Plan	41
10.07	No Repricing	41
10.08	Clawback; Right of Setoff	41
10.09	Nonexclusivity of the Plan	42
10.10	Treatment of Awards by Other Plans	42
10.11	Payments in the Event of Forfeitures; Fractional Shares	42
10.12	Considerations Under Section 409A of the Code	42
10.13	Governing Law	43
10.14	Awards to Participants Outside the United States	43
10.15	Limitation on Rights Conferred under Plan	43
10.16	Severability; Entire Agreement	43
10.17	Plan Term	44
10.18	Gender and Number	44
10.19	General Creditor Status	44

Walgreens Boots Alliance, Inc.
2013 Omnibus Incentive Plan

I. Background

1.01 Walgreen Co., an Illinois corporation (“Walgreens”), previously maintained the Walgreen Co. Executive Option Plan, which was originally effective October 13, 1982 and then known as the Walgreen Co. 1982 Executive Incentive Stock Option Plan (the “Former Stock Option Plan”). The Former Stock Option Plan was thereafter amended and restated from time to time and most recently was amended and restated effective January 13, 2010 and approved by the shareholders of Walgreens at the annual shareholder meeting on January 13, 2010.

1.02 Walgreens previously maintained the Walgreen Co. Long-Term Performance Incentive Plan, which was originally effective September 1, 1980 and then known as the Walgreen Co. Restricted Performance Share Plan (the “Former Incentive Plan”). The Former Incentive Plan was thereafter amended from time to time and most recently was amended and restated effective January 10, 2007 and was approved by the shareholders of Walgreens at the annual shareholder meeting on January 10, 2007.

1.03 Walgreens previously maintained the Walgreen Co. Nonemployee Director Stock Plan, which was originally effective November 1, 1996 (the “Former Director Plan”). The Former Director Plan was thereafter amended from time to time and most recently amended and restated effective January 14, 2004 and approved by the shareholders of the Company at the annual shareholder meeting on January 14, 2004, and subsequently amended.

1.04 Walgreens previously maintained the Walgreen Co. Broad Based Employee Stock Option Plan, which was originally effective July 10, 2002 (the “Former Broad Based Plan”). The Former Broad Based Plan was amended from time to time.

1.05 Effective as of January 9, 2013, Walgreens consolidated the Former Stock Option Plan, the Former Incentive Plan, the Former Director Plan, and the Former Broad Based Plan (the “Former Plans”) into a single amended and restated document in the form of the Walgreen Co. 2013 Omnibus Incentive Plan (the “Plan”) and provided in that document a framework for administration of the annual Management Incentive Plan, for ease of administration and transparency to shareholders. From and after January 9, 2013, the date upon which shareholder approval of the Plan was obtained, no further awards may be granted under the Former Stock Option Plan, Former Incentive Plan, Former Director Plan or Former Broad Based Plan as in effect prior to the adoption of the Plan.

1.06 Walgreens established the Plan effective January 9, 2013 (“Effective Date”).

1.07 Unless the context requires otherwise, the terms and provisions of the Plan shall apply to outstanding awards granted prior to the Effective Date under the Former Stock Plan, the Former Incentive Plan, and the Former Director Plan.

1.08 On December 31, 2014, a reorganization of Walgreens into a holding company structure (the “Reorganization”) was completed. Pursuant to the Reorganization, Walgreens became a wholly owned subsidiary of a new Delaware corporation named Walgreens Boots Alliance, Inc. (the “Company”). In connection with the Reorganization, the Plan and all Awards then outstanding under the Plan were assumed by the Company and the Plan was amended and restated.

1.09 The Plan is hereby further amended and restated as set forth herein, effective as of July 8, 2015, to modify the deferral rights of Non-Employee Directors and otherwise clarify the terms by which Awards may be deferred under the Plan.

II. Purpose

The purpose of the Plan is to aid the Company in attracting, retaining, motivating and rewarding employees, Non-Employee Directors, and other persons who provide substantial services to the Company or its Affiliates, to provide for equitable and competitive compensation opportunities, including deferral opportunities, to encourage long-term service, to recognize individual contributions and reward achievement of Company goals, and promote the creation of long-term value for shareholders by closely aligning the interests of Participants with those of shareholders. The Plan authorizes stock-based and cash-based incentives for Participants.

III. Definitions

In addition to the terms defined in Article I above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:

- 3.01** “**Affiliate**” means any person with whom the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, except that in applying Sections 1563(a)(1), (2) and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Sections 1563(a)(1), (2) and (3) of the Code, and in applying Treas. Reg. §1.414(c)-2 for purposes of determining a controlled group of trades or businesses under Section 414(c) of the Code, the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Treas. Reg. §1.414(c)-2. Notwithstanding the foregoing, where justified by legitimate business criteria as determined by the Committee in its sole discretion, “at least 20 percent” shall be substituted for “at least 50 percent” in the preceding sentence in determining whether a Participant has had a Termination of Service.
- 3.02** “**Award**” means any Option, SAR, Restricted Stock Share, Restricted Stock Unit, Performance Share, Performance Share Unit, Other Award or Stock granted as a bonus or in lieu of another award, together with any related right or interest, granted to an Eligible Person under the Plan.
- 3.03** “**Award Agreement**” means the agreement setting forth the terms and conditions to which an Award is subject, to the extent not provided in the Plan, together with any additional documents (such as Beneficiary designations) relating to a specific Award.

- 3.04** “ **Beneficiary** ” means the individual or entity designated by the Participant to receive the benefits specified under the Participant’s Award upon such Participant’s death. See Section 10.03. No Beneficiary shall have any rights under the Plan prior to the death of the Participant.
- 3.05** “ **Beneficial Owner** ” has the meaning specified in Rule 13d-3 under the Exchange Act.
- 3.06** “ **Board** ” means the Board of Directors of the Company.
- 3.07** “ **Cause** ” means any one or more of the following, as determined by the Committee or its delegate in its sole discretion:
- (a) a Participant’s commission of a felony or any crime of moral turpitude;
 - (b) a Participant’s dishonesty or material violation of standards of integrity in the course of fulfilling his or her employment duties to the Company or any Affiliate;
 - (c) a material violation of a material written policy of the Company or any Affiliate violation of which is grounds for immediate termination;
 - (d) willful and deliberate failure on the part of the Participant to perform his or her employment 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) failure to comply in any material respect with the Foreign Corrupt Practices Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and the Truth in Negotiations Act, or any rules or regulations thereunder.
- 3.08** “ **Change in Control** ” means:
- (a) except as provided in (b) and (c), for Awards granted on and after the Effective Date, any one or more of the following:
 - (i) any one person, or more than one person acting as a group other than (A) an employee benefit plan (or related trust) of the Company or a subsidiary or (B) the Company or a subsidiary (collectively, the “Excluded Persons”) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company; or

- (ii) any one person, or more than one person acting as a group (other than any Excluded Person), acquires (or has acquired during the twelve (12)-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company that constitutes thirty percent (30%) or more of the total fair market value or total voting power of the stock of the Company; or
 - (iii) any one person, or more than one person acting as a group (other than any Excluded Person), acquires (or has acquired during the twelve (12)-month period ending on date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions; or
 - (iv) a majority of members of the Company's Board is replaced during any twelve (12)-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Company's Board before the date of the appointment or election; and
- (b) for Awards granted before the Effective Date, a "change in control" as defined under the applicable Former Plan; and
- (c) for Awards that are 409A Compensation granted prior to January 8, 2014, a "change in control" as defined in the Plan prior to January 8, 2014; provided that such change in control is a change in ownership of the Company (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(v)), a change in effective control of the Company (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vi)(A)), or a change in the ownership of a substantial portion of the Company's assets (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vii)).

Notwithstanding the provisions of Section 3.08(a), there shall not be a Change in Control if any event described in Section 3.08(a) occurs, and immediately following such event: (1) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the outstanding Stock and outstanding Company voting securities immediately prior to such event will beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the outstanding shares of Stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such event (including, without limitation, a corporation which as a result of such event owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such corporate transaction, of the outstanding Stock and outstanding Company voting securities, as the case may be; (2) no person (other than an Exempt Person or a corporation resulting from such event) will beneficially own, directly or indirectly, thirty percent (30%) or more of, respectively, the outstanding shares of common stock of the corporation resulting from such event or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, except to the extent that such ownership existed prior to the event; and (3) individuals who were members of the incumbent Board at the time of the Board's approval of the execution of the initial agreement providing for such corporate transaction will constitute at least a majority of the members of the board of directors of the corporation resulting from such corporate transaction.

- 3.09** “ **Code** ” means the Internal Revenue Code of 1986, as amended. Reference to any provision of the Code or regulation thereunder shall include any successor provision and any regulations and other applicable guidance or pronouncement of the Internal Revenue Service or the Department of the Treasury and applicable case law relating to such Section of the Code.
- 3.10** “ **Committee** ” means except for purposes of Section 7.07 and Awards thereunder, the Compensation Committee of the Board, the composition and governance of which is established in the Committee’s charter as approved from time to time by the Board. Each member of the Committee is intended to qualify as “independent” as determined in accordance with the regulations of the stock exchange on which the Stock is principally registered, and the Company’s categorical standards, and to qualify as a “non-employee director” under SEC Rule 16b-3, and as an “outside director” under Section 162(m) of the Code. However, no action of the Committee shall be void or deemed to be without authority due to the failure of any member, at the time the action was taken, to meet the foregoing qualification standards. For purposes of Section 7.07 and Awards thereunder, “Committee” means the Nominating and Governance Committee of the Board, the composition and governance of which is established in the Committee’s charter as approved from time to time by the Board. The full Board may perform any function of the Committee hereunder except to the extent limited under the applicable stock exchange policies and requirements for listed companies or the Company’s bylaws, in which case the term “Committee” shall refer to the Board. To the extent the Committee has delegated authority to another person or persons the term “Committee” shall refer to such other person or persons.
- 3.11** “ **Company** ” means Walgreens Boots Alliance, Inc. and any successor thereto.
- 3.12** “ **Deferred Award** ” means any Award to the extent that by its terms the Award will not or might not be paid or otherwise settled in full no later than the 15th day of the third month after the later of (a) the last day of the first calendar year in which the Award is no longer subject to a Substantial Risk of Forfeiture or (b) the last day of the Company’s first fiscal year in which the Award is no longer subject to a Substantial Risk of Forfeiture.

- 3.13 “ **Director** ” means a member of the Board.
- 3.14 “ **Disability** ” means that the Participant has become disabled as provided in the long-term disability plan of the Company or an Affiliate applicable to the Participant (or which would be applicable if the Participant elected coverage under such plan).
- 3.15 “ **Dividend Equivalent** ” means a right granted to an Eligible Person to receive cash, Stock, or other property equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of Stock in connection with dividend declarations, reclassifications, spin-offs, and the like.
- 3.16 “ **Effective Date** ” is defined in the Preamble.
- 3.17 “ **Eligible Person** ” means an employee of the Company or any Affiliate, including any executive officer or Non-Employee Director of the Company.
- 3.18 “ **Exchange Act** ” means the Securities Exchange Act of 1934, as amended from time to time and the rules and regulations thereunder.
- 3.19 “ **Fair Market Value** ” means as of any applicable date:
- (a) If the Stock is listed on the NASDAQ Stock Market or other United States national securities exchange registered under the Exchange Act, the value under such of the following as the Committee shall determine based on actual reported transactions in such Stock on the NASDAQ Stock Market or such other exchange:
 - (i) The last sale before or the first sale after the date the Award is granted;
 - (ii) the closing sales price on such date or (whether or not sales are reported on such date) the last preceding date on which a sale was reported;
 - (iii) the arithmetic mean of the high and low prices on such date or (whether or not sales are reported on such date) the last preceding date on which sales were reported;
 - (iv) the average selling price of the Stock over a specified period beginning within 30 days before and ending within 30 days after the applicable date, based on the arithmetic mean of such selling prices during the specified period, or an average of such prices weighted based on the volume of trading of the Stock on each trading date during the specified period; provided, however, that such method may be used only if the relevant Eligible Person, the number and class of shares of Stock subject to such method, and the method for determining such price including the period over which the average are determined, are irrevocably determined and set forth in an Award Agreement before the beginning of the specified period.

The Committee may apply different of the foregoing methods for different purposes; provided, however, that if no other method is determined by the Committee the Fair Market Value shall be determined based on the closing sales price on the last preceding date on which a sale was reported, and the grant price for an Option or Stock Appreciation Right shall be (i) the closing sales price on the date of grant if Stock is traded on such date, or (ii) the closing sales price on the next date on which Stock is traded.

- (b) If Stock publicly traded but is not listed on any such exchange, any of the methods set forth in subsection (a) applied to the bid quotations with respect to a share of Stock on the OTC Bulletin Board or other over-the-counter quotation system then in use as the principle system then available for reporting or ascertaining quotations for the Stock; and
- (c) If Stock is not publicly traded, the fair market value on the applicable date of a share of Stock as determined by the Committee in good faith.

- 3.20 “ **Former Plan** ” means any of the Walgreen Co. Executive Option Plan, the Walgreen Co. Long-Term Performance Incentive Plan, the Walgreen Co. Nonemployee Director Stock Plan, and the Walgreen Co. Broad-Based Employee Stock Option Plan.
- 3.21 “ **409A Compensation** ” means a Deferred Award or other compensation that is “nonqualified deferred compensation” subject to Section 409A of the Code, regardless of when granted or awarded.
- 3.22 “ **Incentive Stock Option** ” or “ **ISO** ” means any Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code, and qualifying thereunder.
- 3.23 “ **Non-Employee Director** ” means a Director who is not an employee of the Company or an Affiliate.
- 3.24 “ **Nonstatutory Option** ” means an Option that is not an Incentive Stock Option.
- 3.25 “ **Option** ” means a right granted to an Eligible Person to purchase a number of shares of Stock (which may be Restricted Stock) at a specified price during a specified time period, and subject to such other terms and conditions as the Committee may determine. The term “Option” includes both an Incentive Stock Option and a Nonstatutory Option.
- 3.26 “ **Other Awards** ” means cash or Stock-based Awards granted to an Eligible Person under Section 7.08 or 7.09.

- 3.27 “ **Participant** ” means an Eligible Person (or former Eligible Person) who has been granted an Award under the Plan which remains outstanding or which remains subject to any provision of this Plan, including without limitation Sections 10.01 and 10.08.
- 3.28 “ **Performance Award** ” means an Award that (in addition to any other conditions) is conditional based upon the degree of satisfaction of performance criteria specified by the Committee. Performance Awards include, but are not limited to, Performance Shares and Performance Units.
- 3.29 “ **Performance Share** ” means a conditional right granted to an Eligible Person to receive a variable number of shares of Stock based upon the degree of satisfaction of performance criteria specified by the Committee.
- 3.30 “ **Performance Unit** ” means a conditional right granted to an Eligible Person to receive a payment equal to the value of the performance unit based upon the degree of satisfaction of criteria specified by the Committee.
- 3.31 “ **Restricted Stock** ” means a Restricted Stock Share or a Restricted Stock Unit.
- 3.32 “ **Restricted Stock Share** ” means a share of Stock granted to an Eligible Person under Section 7.03 which is subject to certain restrictions and to a substantial risk of forfeiture.
- 3.33 “ **Restricted Stock Unit** ” or “ **RSU** ” means a bookkeeping entry representing a hypothetical share of Stock granted to an Eligible Person under Section 7.04 which is subject to certain restrictions and to a substantial risk of forfeiture. A Restricted Stock Unit shall have a nominal value on any date equal to the Fair Market Value of one share of Stock on that date. A Restricted Stock Unit may be settled for cash, property, or shares of Stock, and may be a Performance Award. Restricted Stock Units represent an unfunded and unsecured obligation of the Company.
- 3.34 “ **Retire** ” or “ **Retirement** ” means a Termination of Service for any reason other than a Termination of Service for Cause, Disability, or death after attaining age 55 and having at least 10 years of service (whether as an employee or Director) with the Company or any Affiliate.
- 3.35 “ **Rule 16b-3** ” means Rule 16b-3, as from time to time in effect and applicable to Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.
- 3.36 “ **Separation from Service** ” means
- (a) In the case of an individual who is an employee of the Company or an Affiliate, the employee’s termination of employment with the Company and its Affiliates. Whether a termination of employment has occurred shall be determined based on whether the facts and circumstances indicate the individual and the employer reasonably anticipate that no further services will be performed by the individual for the Company and its Affiliates; provided, however, that an individual shall be deemed to have a Separation from Service if the level of services he or she would perform for the Company and its Affiliates after a certain date permanently decreases to no more than twenty percent (20%) of the average level of bona fide services performed for the Company and its Affiliates (whether as an employee or independent contractor) over the immediately preceding 36-month period (or the full period of services to the Company and its Affiliates if the individual has been providing services for less than 36 months). For this purpose, an individual is not treated as having a Separation from Service while he or she is on a military leave, sick leave, or other bona fide leave of absence, if the period of such leave does not exceed six months (90 days in the case of an Incentive Stock Option), or if longer, so long as the individual has a right to reemployment with the Company or an Affiliate under an applicable statute or by contract; and

- (b) In the case of a Director, the individual ceases to be a Director of the Company and all Affiliates, unless immediately upon such cessation the individual has a relationship with the Company or an Affiliate such that such cessation would not be a separation from service under Section 409A of the Code, in which case a Separation from Service will occur upon the cessation of such relationship as provided in Section 409A of the Code; and
- (c) In the case of a consultant or advisor, the individual ceases to have a contractual obligation to perform consulting services for the Company and all Affiliates, unless immediately upon such cessation the individual has a relationship with the Company or an Affiliate such that such cessation would not be a separation from service under Section 409A of the Code, in which case a Separation from Service will occur upon the cessation of such relationship as provided in Section 409A of the Code.
- (d) Notwithstanding the foregoing, no such event shall be a Separation from Service if immediately upon such event the individual continues to be an Eligible Person by reason of another relationship with the Company or any Affiliate from which no Separation from Service has occurred.

3.37 “**Specified Employee**” means an individual who, as of the date of his or her Termination of Service, is a key employee of the Company or any Affiliate whose stock is publicly traded, as determined under the policy of the Company as in effect from time to time, for determining “specified employees” consistent with the requirements of Section 409A of the Code.

3.38 “**Stock**” means a share of the Company’s common stock \$0.01 par value and any other equity securities of the Company that may be substituted or resubstituted for such Stock.

3.39 “ **Stock Appreciation Right** ” or “ **SAR** ” means a right granted to an Eligible Person to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR as determined by the Committee, which grant price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such SAR.

3.40 “ **Substantial Risk of Forfeiture** ” means such term as described in Treas. Reg. §§ 1.409A-1(d) and 1.409A-1(b)(4).

3.41 “ **Termination of Service** ” “ **termination of employment** ”, and words of similar import, unless the context clearly indicates otherwise, mean termination of employment (or for a Participant who is not an employee, termination of service), as determined by the Committee; provided that in the case of an Award that is 409A Compensation, such term shall mean Separation from Service.

IV. Administration

4.01 Authority of the Committee . The Plan shall be administered by the Compensation Committee of the Board or by a duly appointed delegate of the Committee, which shall have full and final authority, in its discretion, in each case subject to and consistent with the provisions of the Plan,

- (a) to determine which Eligible Persons shall be granted Awards;
- (b) to determine the type and size of Awards, the dates on which Awards may be granted, exercised or settled and on which the risk of forfeiture or any deferral period relating to Awards shall lapse or terminate, and to accelerate any such dates;
- (c) to determine the expiration date of any Award;
- (d) to determine whether an Award will be granted on a standalone or tandem basis;
- (e) to determine whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property;
- (f) to determine other terms and conditions of, and all other matters relating to, Awards;
- (g) to prescribe Award Agreements evidencing or setting terms of Awards (such Award Agreements need not be identical for each Participant);
- (h) to adopt amendments to Award Agreements; provided that, except as set forth herein or in the Award Agreement, the Committee shall not amend an Award Agreement in a manner that materially and adversely affects the Participant without the consent of the Participant (for this purpose, actions that alter the timing of federal income taxation of a Participant will not be deemed material unless such action results in an income tax penalty on the Participant);

- (i) to establish rules and regulations for the administration of the Plan and amendments thereto and to create sub-plans;
- (j) to determine whether, to what extent, and under what circumstances any Award shall be terminated or forfeited or the Participant shall be required to disgorge to the Company gains or earnings attributable to an Award;
- (k) to construe and interpret the Plan and Award Agreements and correct defects, supply omissions or reconcile inconsistencies therein;
- (l) to make all other decisions and determinations (including factual determinations) in its discretion as the Committee may deem necessary or advisable for the administration of the Plan.

Decisions of the Committee with respect to the administration and interpretation of the Plan and any Award Agreement shall be final, conclusive, and binding upon all persons interested in the Plan, including all Eligible Persons, Participants, Beneficiaries, transferees under Section 6.05(c) and other persons claiming rights from or through a Participant, and shareholders. The foregoing notwithstanding, to the extent required by the Company's bylaws, the Board shall perform the functions of the Committee for purposes of granting Awards under the Plan to Non-Employee Directors and shall have all the powers of the Committee with respect thereto (authority with respect to other aspects of Non-Employee Director awards is not exclusive to the Board, however).

4.02 Manner of Exercise of Committee Authority .

- (a) The Committee may act through subcommittees, including for purposes of perfecting exemptions under Rule 16b-3 (in which case the members of the Committee who qualify as Non-Employee Directors shall act as the Committee), or qualifying Awards under Section 162(m) of the Code as performance-based compensation (in which case the members of the Committee who qualify as outside Directors under Section 162(m) of the Code shall act as the Committee). The express grant of any specific power to the Committee, and the taking of any action by the Committee or a subcommittee, shall not be construed as limiting any power or authority of the Committee.
- (b) Subject to the Company's by-laws and applicable law, the Committee may delegate to any other Committee of the Board or to one or more members of the Board the authority, subject to such terms as the Committee may determine, to exercise such powers and authority and perform such functions as the Committee in its discretion may determine. Such delegation may be revoked at any time.

- (c) The Committee may delegate to officers of the Company or any Affiliate, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions and exercise such powers and authority, as the Committee in its discretion may determine, to the fullest extent permitted under the Delaware General Corporation Law and the Company's bylaws. Such delegation may be revoked at any time.
- (d) Except to the extent prohibited by applicable law, the Committee may delegate to one or more individuals the day-to-day administration of the Plan and any of the functions assigned to the Committee under the Plan. Such delegation may be revoked at any time.

4.03 Advisors and Agents of the Committee . The Committee may (i) authorize one or more of its members or an agent to execute or deliver any instrument, and make any payment on its behalf and (ii) utilize and cause the Company to pay for the services of associates and engage accountants, agents, clerks, legal counsel, record keepers and professional consultants (any of whom may also be serving another Affiliate of the Company) to assist in the administration of this Plan or to render advice with regard to any responsibility under this Plan.

4.04 Records and Reports of the Committee . The Committee shall maintain records and accounts relating to the administration of the Plan.

4.05 Limitation of Liability; Indemnification . The members of the Board, the Compensation Committee, and their delegates, shall have no liability with respect to any action or omission made by them in good faith nor from any action made in reliance on (i) the advice or opinion of any accountant, legal counsel, medical adviser or other professional consultant or (ii) any resolutions of the Board certified by the secretary or assistant secretary of the Company. Each member of the Board, the Compensation Committee, and each employee of the Company or any Affiliate to whom are delegated duties, responsibilities and authority with respect to the Plan shall be indemnified, defended, and held harmless by the Company and its Affiliates and their respective successors against all claims, liabilities, fines and penalties and all expenses (including but not limited to attorneys' fees) reasonably incurred by or imposed on such member or employee that arise as a result of his actions or failure to act in connection with the operation and administration of the Plan, to the extent lawfully allowable and to the extent that such claim, liability, fine, penalty or expense is not paid for by liability insurance purchased by or paid for by the Company or an Affiliate. Notwithstanding the foregoing, the Company or an Affiliate shall not indemnify any person for any such amount incurred through any settlement or compromise of any action unless the Company or Affiliate consents in writing to such settlement or compromise.

4.06 Expenses . Expenses relating to the Plan prior to its termination shall be paid from the general assets of the Company or an Affiliate. Any individual who serves as a member of the Committee shall receive no compensation for such service.

4.07 Service in More than One Capacity . Any person or group of persons may serve the Plan in more than one capacity.

V. Shares Subject to Plan

5.01 Overall Number of Shares Available for Delivery . Subject to adjustment as provided in Section 5.04, the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be:

- (a) Shares of Stock available as of the Effective Date under the Former Plans;
- (b) Shares of Stock which become available from the Former Plans or the Share Walgreens Walgreen Co. Stock Purchase/Option Plan after the Effective Date in accordance with Section 5.02; and
- (c) Forty million (40,000,000) additional shares of Stock, subject to the approval of this Plan by shareholders of the Company;

provided, however, that the total number of shares with respect to which ISOs may be granted shall not exceed 15,000,000. Of the shares described in (a), (b) and (c), 100% may be delivered in connection with "full-value Awards," meaning Awards other than Options, SARs, or Awards for which the Participant pays the intrinsic value either directly or in exchange for (or by foregoing) a right to receive a cash payment from the Company equal to the intrinsic value of the Award; provided, however, that any shares granted under Options or SARs shall be counted against the share limit on a one-for-one basis and any shares granted as full-value Awards shall be counted against the share limit as three (3) shares for every one (1) share subject to such Award. The Company shall at all times during the term of the Plan retain as authorized and unissued Stock or treasury Stock at least the number of shares of Stock from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

5.02 Share Counting Rules .

- (a) The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award.
- (b) Shares of Stock subject to an Award will again be available for Awards if the Award (or an award under a Former Plan or under the Share Walgreens Walgreen Co. Stock Purchase/Option Plan) is canceled, expired, forfeited, settled in cash or otherwise terminated or settled without delivery of the full number of shares of Stock subject to such Award. The following shares of Stock will not be added to the total number of shares available or to be made available again for delivery under the Plan: (i) Shares not issued or not delivered as a result of the net settlement of an outstanding Option or Stock Appreciation Right; (ii) Shares delivered to or withheld by the Company to pay the exercise price of or withholding taxes with respect to an Award; and (iii) shares of Stock repurchased by the Company on the open market with the proceeds from the payment of the exercise price of an Option.

- (c) In the case of any Award granted in substitution for an award of a company or business acquired by the Company or an Affiliate, shares delivered or to be delivered in connection with such substitute Award shall not be counted against the number of shares reserved under the Plan, but shall be available under the Plan by virtue of the Company's assumption of the plan or arrangement of the acquired company or business.
- (d) This Section shall apply to the number of shares reserved and available for ISOs only to the extent consistent with applicable regulations relating to ISOs under the Code.
- (e) Because shares will count against the number reserved in Section 5.01 upon delivery (or later vesting) and subject to the share counting rules under this Section 5.02, the Committee may determine that Awards may be outstanding that relate to more shares than the aggregate remaining available under the Plan, so long as Awards will not result in delivery and vesting of shares in excess of the number then available under the Plan.

5.03 Per Person Award Limits . Subject to Section 5.04, the aggregate number of shares of Stock subject to Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code granted during any calendar year to any one Eligible Person (taking into account the maximum number payable based on performance exceeding target objectives) shall not exceed 1,000,000. This 1,000,000 share maximum also applies to options and SARs. The maximum amount payable as a cash Award for any performance period to an Eligible Person that is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code shall be \$10 million per calendar year. In the case of an award with a multi-year performance period, the 1,000,000 Share and \$10 million limit shall apply to each calendar year (or portion thereof) in the performance period.

5.04 Adjustments . In the event that any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the shares of Stock such that an adjustment is appropriate, or, in the case of any outstanding Award, necessary, in order to prevent dilution or enlargement of the rights of the Participant, then the Committee shall, in an equitable manner as determined by the Committee, adjust any or all of (i) the aggregate number and kind of shares of Stock which may be delivered in connection with Awards granted under the Plan, (ii) the number and kind of shares of Stock by which annual per person Award limitations are measured under Section 5.03, (iii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards, and (iv) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Option provided that no such adjustment shall be authorized or made if and to the extent that the existence of such authority (i) would cause Options, SARs, or Performance Awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code to otherwise fail to qualify as "performance-based compensation" under Section 162(m) of the Code, or (ii) would cause the Committee to be deemed to have authority to change the targets, within the meaning of Treas. Reg. § 1.162-27(e)(4) (vi), under the performance goals relating to Options; SARs or Performance Awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

5.05 Former Plans . Upon shareholder approval of this Plan, no further grants of Awards will be made under any Former Plan.

VI. Eligibility and General Conditions for Awards

6.01 Eligibility . Awards may be granted under the Plan only to Eligible Persons. An employee on leave of absence, including for a Disability, who has not had a Termination of Service may be considered as still in the employ of the Company or an Affiliate for purposes of eligibility for participation in the Plan.

6.02 Awards . Awards may be granted on the terms and conditions set forth in this Plan. In addition, the Committee may impose on any Award, or the exercise thereof, at the date of grant or thereafter (subject to Section 10.06), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine in its sole discretion, including performance conditions for the exercise or vesting of an Award, terms requiring forfeiture of Awards in the event of Termination of Service by the Participant or other events or actions by the Participant, terms for deferred payment or other settlement of an Award, and terms permitting a Participant to make elections relating to his or her Award. Such terms and conditions need not be uniform among types of Awards nor among Eligible Persons receiving the same type of Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award that is not mandatory under the Plan. The Committee shall require the payment of lawful consideration for an Award to the extent necessary to satisfy the requirements of the Delaware General Corporation Law, and may otherwise require payment of consideration for an Award except as limited by the Plan.

6.03 Award Agreement . To the extent not set forth in the Plan, the terms and conditions of each Award shall be set forth in an Award Agreement.

6.04 Vesting; Termination of Service . The Committee may determine and set forth in the Award Agreement the vesting schedule for the Award and the extent to which an Award not vested shall be forfeited or shall terminate upon a Participant's Termination of Service. Unless otherwise stated in the Award Agreement, an Award that vests based on the continued performance of services shall not be vested until the third anniversary of the date of grant of the Award, at which time the Award shall vest in full, provided the Participant has not had a Termination of Service. Except as otherwise provided in such Award Agreement or subsection (e), (f) or (g) below, Awards held by a Participant upon Termination of Service shall be treated as follows, based on the determination by the Committee in its sole discretion of the reason for Termination of Service:

- (a) *Death or Disability* . Upon a Participant's Termination of Service on account of death or Disability, all Awards that are not Performance Awards shall become fully vested and nonforfeitable. Options and SARs outstanding at the time of death (whether or not then exercisable) shall become and remain exercisable for one year following the date of death or Termination of Service on account of Disability (or until the expiration of their stated term, if shorter) and then terminate. Performance Awards shall become vested (or be forfeited) based on actual performance and shall be settled at the same time as such Performance Awards to other Participants are settled.
- (b) *Cause* . Upon a Participant's Termination of Service for Cause, all Awards (whether or not then vested or forfeitable under the terms of the Award) shall be forfeited and terminate. In the event that within one year after Termination of Service a Participant commits an act or omission that would be Cause, or it is discovered that the Participant has committed such act or omission before Termination of Service, then the Committee may in its discretion determine that the Termination of Service shall be deemed to have occurred for Cause.
- (c) *Involuntary Termination Other Than for Cause, or Retirement* . Upon a Participant's Termination of Service due to involuntary termination by the Company or Affiliate for a reason other than Cause, or upon the Participant's Retirement, the Participant shall be deemed to have one year of additional service for purposes of all Awards vesting based on continued performance of services. Any Option or SAR shall remain exercisable for the lesser of one month following the date of Termination of Service (e.g., if Termination of Service occurs on the 14th day of a calendar month, the Award shall remain exercisable until the 13th day of the following calendar month) or until the expiration of its stated term, if shorter, and then terminate. Any Performance Awards (other than an Option or SAR) for which one year or less remains in the Performance Period shall become vested pro rata (subject to achievement of the performance conditions) based on ratio of the full months of service prior to Termination of Service to the total number of months in the Performance Period; and shall be settled at the same time as such Performance Awards to other Participants are settled. To the extent continued or additional vesting is not provided under this subsection, the Awards shall be forfeited.
- (d) *Voluntary Termination Other than for Retirement or Disability* . Upon a Participant's voluntary Termination of Service for a reason other than Retirement or Disability, all outstanding Awards, whether or not then vested or forfeitable under the terms of the Award (other than a vested Deferred Award or an Award to a Non-Employee Director under Section 7.07) shall be forfeited and terminate. Vested Deferred Award and Awards to a Non-Employee Director under Section 7.07 shall remain payable in accordance with their terms.

- (e) *Automatic Extended Exercisability in Certain Cases* . Notwithstanding the foregoing provisions of this Section, if the date an Award would otherwise terminate is a date that the Participant is prohibited from exercising the Award under the Company's insider trading policy or such other conditions under applicable securities laws as the Committee shall specify, the term of the Award shall be extended to the second business day after the Participant is no longer so prohibited from exercising the Award, but in no event shall the Award be extended beyond the original stated term of the Award.
- (f) *Automatic Exercise in Certain Cases* . In addition, if determined by the Committee in its discretion, on such terms and conditions and under such circumstances as the Committee shall establish, which may be applied differently among Participants or Awards, Options and SARs will be deemed exercised by the Grantee (or in the event of the death of or authorized transfer by the Grantee by the beneficiary or transferee) on the expiration date of the Option or SAR using a net share settlement (or net settlement) method of exercise to the extent that as of such expiration date the Option or SAR is vested and exercisable and the per share exercise price of the Option or SAR is below the Fair Market Value of a share of Stock on such expiration date.
- (g) *Waiver by Committee* . Notwithstanding the foregoing provisions of this Section, the Committee may in its sole discretion as to all or part of any Award as to any Participant, at the time the Award is granted or thereafter, which treatment need not be uniform among Participants, determine that Awards shall become exercisable or vested upon a Termination of Service, determine that Awards shall continue to become exercisable or vested in full or in installments after Termination of Service, extend the period for exercise of Options or SARs following Termination of Service (but not beyond the original stated term of the Option or SAR), or provide that any Performance Based Award shall in whole or in part not be forfeited upon such Termination of Service.

6.05 Nontransferability of Awards .

- (a) During the Participant's lifetime, each Award and each right under any Award shall be exercisable only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative, or by a transferee receiving such Award pursuant to a domestic relations order issued by a court with jurisdiction over the Company, requiring the transfer of the award. Nothing herein shall be construed as requiring the Committee to honor a domestic relations order except to the extent required under applicable law.

- (b) No Award (prior to the time, if applicable, unrestricted shares of Stock are delivered in respect of such Award or Restricted Stock becomes unrestricted), and no right under any Award, may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution (or in the case of Restricted Stock Shares, by transfer to the Company); and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate.
- (c) Notwithstanding subsections (a) and (b) above, a Participant may transfer a Nonstatutory Option or SAR for no consideration to a Permitted Transferee in accordance with rules and subject to such conditions as may be specified by the Committee in the Award Agreement or in the Committee's rules or procedures of general application. For this purpose, a "Permitted Transferee" in respect of any Participant means any member of the Immediate Family of such Participant, any trust of which all of the primary beneficiaries are such Participant or members of his or her Immediate Family, or any partnership (including limited liability companies and similar entities) of which all of the partners or members are such Participant or members of his or her Immediate Family; and the "Immediate Family" of a Participant includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the employee) control the management of assets, and any other entity in which these persons (or the employee) own more than fifty percent of the voting interests. Such Award may be exercised by such transferee in accordance with the terms of such Award. Following the transfer of a Nonstatutory Stock Option or SAR to a Permitted Transferee, the Permitted Transferee shall have all of the rights and obligations of the Participant to whom the Award was granted and such Participant shall not retain any rights with respect to the transferred Award, except that (i) the payment of any tax attributable to the exercise of the Nonstatutory Stock Option or SAR shall remain the obligation of the Participant, (ii) the period during which the Nonstatutory Stock Option or SAR shall become exercisable or remain exercisable shall depend on the service of the original Participant and the circumstances of his or her Termination of Service. A Permitted Transferee may not again transfer an Award to another Permitted Transferee.

- (d) If for any reason an Award is exercised or shares of Stock are to be delivered or payment is to be made under any Award to a person other than the original Participant, the person exercising or receiving delivery or payment under such Award shall, as a condition to such exercise, delivery or receipt, supply to the Committee such evidence as the Committee may reasonably require to establish the identity of such person and such person's right to exercise or receive delivery or payment under such Award. A Permitted Transferee or other transferee, Beneficiary, guardian, legal representative or other person claiming any rights under the Plan from or through any Participant shall be subject to the provisions of the Plan and any applicable Award Agreement, except to the extent the Plan and Award Agreement otherwise provide with respect to such persons, and to any additional restrictions or limitations deemed necessary or appropriate by the Committee.

6.06 Cancellation and Rescission of Awards . Unless the Award Agreement specifies otherwise, the Committee may cancel, rescind, suspend, withhold, or otherwise limit or restrict any unexercised Award at any time if the Participant is not in compliance with all applicable provisions of the Award Agreement and the Plan.

6.07 Stand-Alone, Tandem and Substitute Awards .

- (a) Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for, any other Award granted under the Plan; provided that if the stand-alone, tandem or substitute Award is intended to qualify as performance-based compensation under Section 162(m) of the Code, it must separately satisfy the requirements for performance-based compensation. If an Award is granted in substitution for another Award or any non-Plan award or benefit, the Committee shall require the surrender of such other Award or non-Plan award or benefit in consideration for the grant of the new Award. Awards granted in addition to or in tandem with other Awards or non-Plan awards or benefits may be granted either at the same time as or at a different time from the grant of such other Awards or non-Plan awards or benefits.
- (b) The Committee may, in its discretion and on such terms and conditions as the Committee considers appropriate in the circumstances, grant Awards under the Plan ("Substitute Awards") in substitution for stock and stock-based awards ("Acquired Entity Awards") held immediately prior to such merger, consolidation or acquisition by employees or directors of another corporation or entity who become Eligible Persons as the result of a merger or consolidation of the employing corporation or other entity (the "Acquired Entity") with the Company or an Affiliate or the acquisition by the Company or an Affiliate of property or stock of the Acquired Entity, in order to preserve for such newly Eligible Persons the economic value of all or a portion of such Acquired Entity Award, at such price as the Committee determines necessary to achieve preservation of economic value.

6.08 Deferred Awards . The Committee may provide in an Award Agreement that the Award shall be in whole or in part a Deferred Award. In addition, the Committee may provide, in a manner specified by the Committee in the Award Agreement or in the Committee's rules and procedures of general application, that a Participant may elect to defer settlement of an Award so that the Award becomes a Deferred Award, subject to the following terms and to such additional terms and conditions as the Committee shall designate in its discretion:

- (a) *Deferral Elections* . An election to defer an Award shall be made on or before December 31 of the calendar year preceding the calendar year in which the Award is granted, on a form (which may be electronic) authorized by the Committee, and except as provided in Section 7.07 shall not carry over from year to year unless the Committee timely provides otherwise. Such election shall become irrevocable for the period to which it applies as of the last date for making such election. The deferral election shall include (i) the designation and portion of the Award to be deferred, (ii) the date on which settlement of the deferred Award shall be made or commence (which may be a fixed date such as the Participant's attainment of a particular age, the Participant's Termination of Service for any reason, or such other dates or circumstances as may be required or permitted by the Committee); and (iii) whether settlement shall be made on a single date or in installments over a period and subject to such terms and conditions as may be set by the Committee at the time of the deferral election. If there is no election as to form of settlement, then settlement shall be made no later than 90 days following the date designated in (ii), in a lump sum in cash, shares of Stock, or such other medium as the Committee may designate.
- (b) *New Participants* . Notwithstanding subsection (a) above, the Committee may permit a deferral election to be made by a Participant who was never previously eligible to defer an Award and was never previously eligible to defer compensation under any other plan required by Section 409A of the Code to be aggregated with deferrals of Awards under this Plan. Such an individual's deferral election shall be made within 30 days of the grant of the Award and shall be effective only with respect to a fractional portion of the Award determined by multiplying (separately with respect to each applicable vesting date), the grant date value of the number of applicable portion of shares of Stock (or other portion of an Award not denominated in shares of Stock) vesting on such vesting date by a fraction, the numerator of which is the number of calendar days between the date the deferral election is received by the Committee and the date such Award (or portion thereof) vests, and the denominator of which is the total number of calendar days between the grant date and the vesting date.

- (c) *Performance-Based Compensation* . Notwithstanding subsection (a) above, the Committee may permit a deferral election to be made by a Participant with respect to a Performance Award on or before a date that is at least six months before the end of the applicable performance period of at least 12 months, provided the Participant has continuously performed services from the later of the beginning of the performance period or the date the performance criteria are established (provided they are established within 90 days of the beginning of the performance period) through the date such election is made, and provided that the compensation to be paid under the Performance Award is not at the time of the election readily ascertainable within the meaning of Treas. Reg. § 1.409A-2(a)(8).
- (d) *Awards Vesting in More than Twelve Months* . Notwithstanding subsection (a) above, the Committee may permit a deferral election to be made by a Participant with respect to an Award that is subject to a condition requiring the Participant to continue to remain employed for a period of at least 12 months from the date of the grant. Such a deferral election, if permitted, must be made on or before the 30th day after the grant date, provided that the election is made at least 12 months in advance of the earliest vesting date (other than vesting on account of death or a Change in Control).
- (e) *Dividend Equivalents on Deferred Awards* . To the extent specified in the Award Agreement, Dividend Equivalents may be credited to deferred Awards (other than Options and SARs) during the deferral period, subject to such terms and conditions as the Committee shall specify.

VII. Specific Provisions for Awards

7.01 Options . The Committee is authorized to grant Options to Eligible Persons on the following terms and conditions:

- (a) *Exercise Price* . The exercise price per share of Stock purchasable under an Option (including both ISOs and Nonstatutory Options) shall be determined by the Committee, provided that such exercise price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such Option.
- (b) *Option Term; Time and Method of Exercise* . The Committee shall determine the term of each Option, which in no event shall exceed a period of ten years from the date of grant. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid and the form of such payment, including, without limitation, cash, Stock (including Stock deliverable upon exercise), Restricted Stock or other property that does not have a deferral feature, other Awards or awards granted under other plans of the Company or any Affiliate, or other property (including through “net exercise” or “cashless exercise” arrangements, to the extent permitted by applicable law), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options. If no other time for exercise of an Option is specified in the Award Agreement, the Option shall become exercisable on the third anniversary of the date of grant of such Option or, if earlier, upon the death or Termination of Service for Disability of the Participant.

(c) *Incentive Stock Options* .

- (i) Only employees (as determined in accordance with Section 3401(c) of the Code) of the Company or any of its subsidiaries may be granted Incentive Stock Options. For this purpose, “subsidiary” means any company (other than the Company) in an unbroken chain beginning with the Company; provided each company in the unbroken chain (other than the Company) owns, at the time of determination, stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other companies in such chain.
- (ii) If and to the extent that the aggregate Fair Market Value of the Stock (determined as of the date of grant) with respect to which a Participant’s Incentive Stock Options are exercisable for the first time during any calendar year exceeds \$100,000, such Options shall be treated as Nonstatutory Options. For purposes of applying this limitation, Incentive Stock Options shall be taken into account in the order in which they were granted.
- (iii) No Incentive Stock Option shall be granted more than 10 years after the earlier of the adoption of the Plan or shareholder approval of the Plan; provided that after the initial adoption of the Plan, such 10-year period shall be measured from the earlier of a subsequent amendment of the Plan requiring shareholder approval or shareholder approval of the Plan as so subsequently amended.
- (iv) Award Agreements evidencing Incentive Stock Options shall contain such other terms and conditions as may be necessary to comply with the applicable provisions of Section 422 of the Code.

7.02 Stock Appreciation Rights . The Committee is authorized to grant SARs to Eligible Persons. The Committee shall determine the term of each SAR, provided that in no event shall the term of an SAR exceed a period of ten years from the date of grant. The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which an SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement (whether cash, Stock, or other property), and the method by or forms in which Stock will be delivered or deemed to be delivered to Participants, whether or not an SAR shall be free-standing or in tandem or combination with any other Award. If no other time for exercise of an SAR is specified in the Award Agreement, the SAR shall become exercisable on the third anniversary of the date of grant of such SAR.

7.03 Restricted Stock Shares . The Committee is authorized to grant Restricted Stock Shares to Eligible Persons on the following terms and conditions:

- (a) *Grant and Restrictions* . Restricted Stock Shares shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. A Participant shall pay such consideration for the Restricted Stock Shares as the Committee may require, which shall not be less than the par value of the Restricted Stock Shares on the date of grant unless the Restricted Stock Shares are to be settled in Treasury shares. Section 10.04(b) (restricting elections under Section 83(b) of the Code) shall apply to Restricted Stock Shares except to the extent provided in the Award Agreement. Except to the extent restricted under the terms of the Plan and any Award Agreement relating to the Restricted Stock Shares, a Participant granted Restricted Stock Shares shall have all of the rights of a shareholder, including the right to vote the Restricted Stock Shares and the right to receive dividends thereon (subject to subsection (c) below).
- (b) *Evidence of Stock Ownership* . Restricted Stock Shares granted under the Plan may be evidenced in such manner as the Committee shall determine, including appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. If certificates representing Restricted Stock Shares are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock Shares, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock Shares.
- (c) *Dividends and Splits* . Any cash dividends paid on a Restricted Stock Share shall be automatically reinvested in additional Restricted Stock Shares or held in kind, which shall be subject to the same terms as applied to the original Restricted Stock to which it relates. Unless otherwise determined by the Committee, cash, shares of Stock or other property distributed in connection with a stock split or stock dividend, and other property distributed as a non-cash dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock Shares with respect to which such Stock or other property has been distributed.

7.04 Restricted Stock Units . The Committee is authorized to grant RSUs to Eligible Persons, subject to the following terms and conditions:

- (a) *Award and Restrictions* . RSUs shall be subject to restrictions constituting a Substantial Risk of Forfeiture, which conditions may be time-based or performance-based. Unless deferred pursuant to Section 6.08, settlement of RSUs by delivery of cash, shares of Stock, or other property, as specified in the Award Agreement, shall occur upon the lapse of the Substantial Risk of Forfeiture, but no later than within two and one-half months after the last day of the calendar year in which the Substantial Risk of Forfeiture lapses. In addition, RSUs shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the same time as the Substantial Risk of Forfeiture or at earlier or later specified times, separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. If no other time for lapse of restrictions on RSU is specified in the Award Agreement, the RSUs shall become vested and nonforfeitable and the Substantial Risk of Forfeiture shall lapse on the third anniversary of the date of grant of such RSUs. Except as restricted under the terms of the Plan, and any Award Agreement relating to the RSUs, prior to settlement a Participant granted RSUs shall have the right to receive dividend equivalents thereon pursuant to subsection (b) but shall have no right to vote respecting the RSUs or any other rights of a shareholder.
- (b) *Dividend Equivalents* . Unless otherwise determined by the Committee, Dividend Equivalents on RSUs shall be automatically deemed reinvested in RSUs and shall be paid when the RSUs to which they relate are settled. Notwithstanding the foregoing, Dividend Equivalents shall be forfeited if the RSUs to which they relate are forfeited or otherwise not earned. Unless otherwise determined by the Committee, cash, shares of Stock or other property distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the RSUs with respect to which such Stock or other property has been distributed.

7.05 Dividend Equivalents . The Committee is authorized to grant Dividend Equivalents to an Eligible Person, entitling the Participant to receive cash, shares of Stock, other Awards, or other property equivalent to all or a portion of the dividends paid with respect to a specified number of shares of Stock. Dividend Equivalents may be awarded on a freestanding basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to restrictions on transferability, risks of forfeiture and such other terms as the Committee may specify with due regard to the applicability of Section 409A of the Code. Notwithstanding the foregoing, (a) Dividend Equivalents shall not be provided with respect to Options or Stock Appreciation Rights, and (b) any Dividend Equivalents associated with a Performance Award shall be forfeited to the extent the Performance Award is forfeited or otherwise not earned.

7.06 Performance Shares and Performance Units . The Committee is authorized to grant Performance Shares and Performance Units to Eligible Persons, subject to the following terms and conditions:

- (a) Performance Shares shall be denominated in shares of Stock. Performance Units shall be denominated in dollars and have an initial value that is established by the Committee at the time of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Units or Performance Shares that will be paid out to the Participant, and shall set a Performance Period in accordance with Section 8.01.
- (b) After the applicable Performance Period has ended, the holder of Performance Units or Performance Shares shall be entitled to receive payout on the number and value of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.
- (c) Unless the Performance Shares or Performance Units are deferred as provided in Section 6.08, payment of earned Performance Units and Performance Shares shall be made in a single lump sum, as soon as practicable after the Committee has certified the number of Performance Units or Performance Shares earned for the Performance Period, but in no event later than within two and one-half months after the last day of the calendar year in which the Participant's rights to such Units/Shares have become vested and nonforfeitable and the Substantial Risk of Forfeiture has lapsed. Except as otherwise provided in an Award Agreement, the Committee shall pay earned Performance Shares in Stock but may in its sole discretion pay earned Performance Units in the form of cash or in Stock (or in a combination thereof) which have an aggregate Fair Market Value equal to the value as of the date of distribution of the number of earned Performance Units at the close of the applicable Performance Period. Such Stock may be made subject to any further restrictions deemed appropriate by the Committee.
- (d) Unless otherwise provided in the Award Agreement, Participants shall be entitled to receive Dividend Equivalents paid with respect to Stock which has been earned and become vested as of the close of the performance period in connection with grants of Performance Units or Performance Shares but not yet distributed to Participants, such dividends to be subject to the same terms and conditions as apply to dividends earned with respect to RSUs as set forth in Section 7.04(b).

7.07 Annual Equity Grants, Deferred Stock Units and Deferrals for Non-Employee Directors .

- (a) Unless the Board sets a different equity award policy for Non-Employee Directors, on the date specified by the Board of each year, each Non-Employee Director shall receive a fully vested annual grant of shares of Stock (an “Annual Equity Grant”), with the number determined by dividing a dollar amount by the Fair Market Value of a share of Stock on the date of the Annual Equity Grant. If the Non-Employee Director has then not served for the full period since the date of the prior Annual Equity Grant, his or her Annual Equity Grant shall be a pro-rata grant based on the full months of service as a Non-Employee Director since the date of the prior Annual Equity Grant. The dollar amount shall be \$175,000 or such lesser or greater amount as may be approved by the Nominating and Governance Committee of the Board from time to time as part of its periodic evaluation of Non-Employee Director compensation. Unless deferred under subsection (b) below, the Annual Equity Grant shall be immediately distributed in Stock.

- (b) A Non-Employee Director may elect to defer all or any part (in 10% increments) of his or her Annual Equity Grant into either deferred stock units (“DSUs”) or, to the extent permitted by the Board, into the account (the “Deferred Cash Compensation Account”) established under subsection (c) below.
 - (i) An election to defer the Annual Equity Grant shall be made on or before December 31 of the calendar year preceding the calendar year in which the 12-month period over which the Annual Equity Grant is earned begins (except for a new Non-Employee Director, in which event Section 6.08(b) shall apply), on a form (which may be electronic) authorized by the Committee. Notwithstanding the foregoing, if an Annual Equity Grant is subject to a condition requiring the Non-Employee Director to remain in continuous service for a period of at least 12 months, the Non-Employee Director may elect to defer such Annual Equity Grant on or before the 30th day after the first day of such period, provided that the election is made at least 12 months in advance of the earliest vesting date (other than vesting on account of death or a Change in Control). An election to defer an Annual Equity Grant shall become irrevocable for the period to which it applies as of the last date for making such election. Notwithstanding Section 6.08(a), a deferral election under this subsection (b) shall carry over from year to year, unless changed or revoked at the same time and in the same manner as the a deferral election could be made under this subsection (b). The deferral election shall include (i) the designation and portion of the Annual Equity Grant to be deferred, (ii) whether it shall be deferred into DSUs or, if permitted by the Board, into the Deferred Cash Compensation Account and (iii) to the extent the Non-Employee Director elects an alternative time and form of payment pursuant to clause (iv) of this Section 7.07(b) or clause (iv) of Section 7.07(c), below, the time and form of payment of the Non-Employee Director’s DSUs or Deferred Cash Compensation Account, as applicable.

- (ii) The value of any DSU at any time shall be the Fair Market Value of one share of Stock. Prior to the conversion of DSUs to a cash-denominated deferral account pursuant to clause (iii) below or the settlement of DSUs in Stock, Dividend Equivalents shall be earned on DSUs and converted into additional DSUs based on the Fair Market Value of the Stock on the date the dividends are converted.
- (iii) Except to the extent a Non-Employee Director elects an alternative time and form of payment pursuant to clause (iv) below, DSUs will be converted to a cash-denominated deferral account as of the date of the Non-Employee Director's Termination of Service, in an amount equal to the Fair Market Value of the DSUs as of such date, and such account shall be paid out in cash in two installments. The first installment shall be paid within 30 days after the date of the Non-Employee Director's Termination of Service in an amount equal to one-half of the value of such deferral account. The second installment shall be paid on the first annual anniversary of the first installment payment in an amount equal to the remaining value of such deferral account; provided that during the period beginning on the date of the Non-Employee Director's Termination of Service and prior to payment of the second installment, such account will be credited with interest on a monthly basis at a monthly compounding rate (the "Prime Borrowing Rate") equal to the prime lending rate of interest in effect as of the first business day of that month as quoted by the Company's then-current lending bank financing source for commercial borrowings.
- (iv) In lieu of the time and form of payment prescribed by clause (iii) above, a Non-Employee Director may elect either or both of the following: (A) that all of his or her DSUs be paid or commence within 30 days after the date of the Non-Employee Director's Termination of Service and be paid in the form of a lump-sum distribution or in annual installments payable over a period of five, 10 or 15 years and/or (B) that all of his or her DSUs be credited and paid in the form of an equal number of shares of Stock; provided that if a Non-Employee Director has previously made an election to defer any Annual Equity Grants in the form of DSUs, (x) any subsequent election with respect to the time or form of payment pursuant to clause (A) above shall not take effect until the 12-month anniversary of the date of such election, and shall take effect only if the previously-scheduled payment date does not occur within such 12-month period, and (y) the Non-Employee Director must elect that, notwithstanding clause (A) above, the DSUs be paid or commence on a date that is at least five years after the date on which the DSUs otherwise would have been paid or commenced and in no event shall installments continue later than 15 years after the date of such Non-Employee Director's Termination of Service. For purposes of Section 409A of the Code, a right to receive installment payments pursuant to this Section 7.07(b) shall be treated as a right to receive a single payment. Unless the Non-Employee Director elects to receive a distribution in the form of shares of Stock, then following the date of the Non-Employee Director's Termination of Service and prior to the date on which the DSUs are paid in full, the unpaid DSUs will be credited with interest on a monthly basis at the Prime Borrowing Rate. If a Non-Employee Director elects to receive his or her DSUs in the form of installments, and the value of such DSUs is less than \$10,000 as of the date of such Non-Employee Director's Termination of Service or any anniversary thereof, then the unpaid portion of such Non-Employee Director's DSUs shall be distributed to such Non-Employee Director in a lump-sum distribution. Within 90 days after the date of a Non-Employee Director's death, all unpaid installments shall accelerate and be paid to the Non-Employee Director's beneficiary or estate in a lump sum payment.

- (c) A Non-Employee Director may elect to defer all or any part (in 10% increments) of his or her annual retainer, committee fees, meeting fees, or any similar fees for service as a Non-Employee Director (“Directors Fees”), plus, to the extent permitted by the Board, all or any portion (in 10% increments) of his or her Annual Equity Grant, into a Deferred Cash Compensation Account.
- (i) An election to defer Directors Fees into the Deferred Cash Compensation Account shall be made on or before December 31 of the calendar year preceding the calendar year in which the Directors Fees are earned (except for a new Non-Employee Director, in which event Section 6.08(b) shall apply), on a form (which may be electronic) authorized by the Committee. Such election shall become irrevocable for the period to which it applies as of the last date for making such election. Notwithstanding Section 6.08(a), a deferral election under this subsection (c) shall carry over from year to year, unless changed or revoked at the same time and in the same manner as a deferral election could be made under this subsection (c). The deferral election shall include (i) the designation and portion of the Directors Fees to be deferred and (ii) to the extent the Non-Employee Director elects an alternative time of payment pursuant to clause (iv) below, the time of payment of the Non-Employee Director’s Deferred Cash Compensation Account.

- (ii) The Deferred Cash Compensation Account shall accrue interest on a monthly basis at a monthly compounding rate equal to 120% of the applicable federal midterm rate (as determined under Section 1274(d) of the Code) until the Non-Employee Director's Termination of Service.
- (iii) Except to the extent a Non-Employee Director elects an alternative time of payment pursuant to clause (iv) below or, if permitted by the Board, Section 7.07(b) above, the Deferred Cash Compensation Account will be paid out in cash in two installments. The first installment shall be paid within 30 days after the date of the Non-Employee Director's Termination of Service in an amount equal to one-half of the balance of his or her Deferred Cash Compensation Account. The second installment shall be paid on the first annual anniversary of the first installment payment in an amount equal to the remaining balance of the Non-Employee Director's Deferred Cash Compensation Account. Following the date of the Non-Employee Director's Termination of Service and prior to the payment of the second installment, the Deferred Cash Compensation Account will be credited with interest on a monthly basis at Prime Borrowing Rate.
- (iv) In lieu of the time of payment prescribed by clause (iii) above, a Non-Employee Director may elect that all of his or her Deferred Cash Compensation Account be paid or commence within 30 days after the date of the Non-Employee Director's Termination of Service and be paid in the form of a lump sum distribution or in annual installments payable over a period of five, 10 or 15 years; provided that if a Non-Employee Director has previously made an election to defer any Directors Fees or Annual Equity Grants to his or her Deferred Cash Compensation Account, (x) any subsequent election with respect to the time of payment pursuant to this clause (iv) shall not take effect until the 12-month anniversary of the date of such election, and shall take effect only if the previously scheduled payment date does not occur within such 12-month period, and (y) the Non-Employee Director must elect that, notwithstanding clause (A) above, the Deferred Cash Compensation Account be paid or commence on a date that is at least five years after the date on which the Deferred Cash Compensation Account otherwise would have been paid or commenced and in no event shall installments continue later than 15 years after the date of such Non-Employee Director's Termination of Service. For purposes of Section 409A of the Code, a right to receive installment payments pursuant to this Section 7.07(c) shall be treated as a right to receive a single payment. Following the date of the Non-Employee Director's Termination of Service and prior to full payment of the Deferred Cash Compensation Account, the Deferred Cash Compensation Account will be credited with interest on a monthly basis at the Prime Borrowing Rate. If a Non-Employee Director elects to receive his or her Deferred Cash Compensation Account in the form of installments, and the value of such Deferred Cash Compensation Account is less than \$10,000 as of the date of such Non-Employee Director's Termination of Service or any anniversary thereof, then the unpaid portion of such Non-Employee Director's Deferred Cash Compensation Account shall be distributed to such Non-Employee Director in a lump-sum distribution. Within 90 days after the date of a Non-Employee Director's death, all unpaid installments shall accelerate and be paid to the Non-Employee Director's beneficiary or estate in a lump sum payment.

- (d) Annual Equity Grants, Deferred Stock Units, and the Deferred Cash Compensation Account, shall be fully vested at all times.
- (e) The Board may from time to time establish other compensation and deferral arrangements for Nonemployee Directors in addition to or in lieu of the program outlined above in this Section 7.07.

7.08 Bonus Stock and Other Awards . The Committee is authorized, subject to limitations under applicable law, to grant to Eligible Persons other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares of Stock or factors that may influence the value of shares of Stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into shares of Stock, purchase rights for shares of Stock, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee, and Awards valued by reference to the book value of shares of Stock or the value of securities of or the performance of specified subsidiaries or Affiliates or other business units. The Committee is authorized to grant shares of Stock as a bonus, or to grant shares of stock or other Awards in lieu of obligations of the Company or an Affiliate to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee. The Committee shall determine the terms and conditions of such Awards, which may include the right to elective deferral thereof, subject to such terms and conditions as the Committee may specify in its discretion. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, shares of Stock, other Awards, or other property, as the Committee shall determine, subject to any applicable restrictions of this Plan.

7.09 Cash Awards . The Committee is authorized to grant cash Awards to Eligible Persons as a bonus on such terms and condition as the Committee shall determine, subject to any applicable restrictions of this Plan.

VIII. Performance Awards

8.01 Performance Awards Generally . The Committee is authorized to grant any Award in the form of a Performance Award. Performance Awards may be denominated as a cash amount, number of shares of Stock, or specified number of other Awards or property (or a combination) which may be earned upon achievement or satisfaction of performance conditions specified by the Committee over a performance period established by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions. After the end of each performance period, the Committee shall determine the amount, if any, of the Performance Award for that performance period payable to each Participant. The Committee may, in its discretion, determine that the amount payable to any Participant as a Performance Award shall be reduced from the amount of his or her potential Performance Award, including a determination to make no final Award whatsoever, and may exercise its discretion to increase the amounts payable under any Performance Award, except as limited under Section 8.02 (relating to Performance Awards intended to qualify as “performance-based compensation” under Section 162(m) of the Code). The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of Termination of Service by the Participant or other event (including a Change in Control) prior to the end of a performance period or otherwise prior to settlement of such Performance Awards. Settlement of Performance Awards shall be in cash, Stock, other Awards or other property, as provided in the Award Agreement in the discretion of the Committee.

8.02 Performance Awards Under Section 162(m) of the Code . If the Committee determines that a Performance Award should qualify as “performance-based compensation” for purposes of Section 162(m) of the Code, the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of one or more pre-established performance goals and shall be subject to other terms set forth in this Section 8.02.

- (a) *Performance Goal Generally* . The performance goal for Performance Awards intended to qualify as “performance-based compensation” for purposes of Section 162(m) of the Code shall consist of one or more of the business criteria listed in Section 8.03, including or excluding the adjustments described in Section 8.03, and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Article VIII. The Performance Award may also have threshold levels of performance (below which no Performance Award shall be paid) and maximum levels of Performance Award, regardless of the degree to which the actual performance exceeds the target level. The performance goal shall be objective. Any performance goal may be established for one performance period or averaged over time, as the Committee may deem appropriate. Performance may, but need not be, based on a change or an increase or positive result. Performance goals may differ for Performance Awards granted to any one Eligible Person or to different Eligible Persons. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

- (b) *Performance Period; Timing for Establishing Performance Goals; Per-Person Limit* . Achievement of performance goals in respect of a Performance Award intended to qualify for the “performance-based compensation” exception under Section 162(m) of the Code shall be measured over a performance period specified by the Committee. A performance goal shall be established not later than the earlier of (A) 90 days after the beginning of any performance period applicable to such Performance Award or (B) the time 25% of such performance period has elapsed. The level of attainment of performance goals be substantially uncertain at the time such goals are established, as required under Treas. Reg. § 1.162-27. In all cases, the maximum Performance Award of any Participant intended to qualify for the “performance-based compensation” exception under Section 162(m) of the Code shall be subject to the per-person limitation set forth in Section 5.03.
- (c) *Performance Award Pool* . The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of one or more performance goals based on one or more of the business criteria set forth in Section 8.02(b) during the performance period, as specified by the Committee. The Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria. The maximum amount payable to any Participant shall be a stated percentage of the bonus pool; provided the sum of such percentages shall not exceed 100%.

8.03 Performance Criteria . If the Committee determines that a Performance Award should qualify as “performance-based compensation” for purposes of Section 162(m) of the Code, the performance criteria shall be selected from among the following:

- (a) Sales, on a corporate, divisional or unit basis, including (i) net sales; (ii) unit sales volume; (iii) aggregate product price; (iv) same store sales or (v) comparable store sales;
- (b) Share price, including (i) market price per share; and (ii) share price appreciation;
- (c) Earnings, on a corporate, divisional or unit basis, including (i) earnings per share, reflecting dilution of shares; (ii) gross or pre-tax profits; (iii) post-tax profits; (iv) operating profit; (v) earnings net of or including dividends; (vi) earnings net of or including the after-tax cost of capital; (vii) earnings before (or after) interest and taxes (“EBIT”); (viii) earnings per share from continuing operations, diluted or basic; (ix) earnings before (or after) interest, taxes, depreciation and amortization (“EBITDA”); (x) pre-tax operating earnings after interest and before incentives, service fees and extraordinary or special items; (xi) operating earnings; (xii) growth in earnings or growth in earnings per share; and (xiii) total earnings;
- (d) Return on equity, on a corporate, divisional or unit basis; including (i) return on equity; (ii) return on invested capital; (iii) return or net return on assets; (iv) return on net assets; (v) return on equity; (vi) return on gross sales; (vii) return on investment; (viii) return on capital; (ix) return on invested capital; (x) return on committed capital; (xi) financial return ratios; (xii) value of assets; and (xiii) change in assets;
- (e) Cash flow(s), on a corporate, divisional or unit basis, including (i) operating cash flow; (ii) net cash flow; (iii) free cash flow; (iv) cash flow on investment;
- (f) Revenue, on a corporate, divisional or unit basis, including (i) gross or net revenue; and (ii) changes in annual revenues;
- (g) Margins, on a corporate, divisional or unit basis, including (i) adjusted pre-tax margin; and (ii) operating margins;
- (h) Income, on a corporate, divisional or unit basis, including (i) net income; and (ii) consolidated net income,
- (i) Economic value added;
- (j) Costs, on a corporate, divisional or unit basis, including (i) operating or administrative expenses; (ii) operating expenses as a percentage of revenue; (iii) expense or cost levels; (iv) reduction of losses, loss ratios or expense ratios; (v) reduction in fixed costs; (vi) expense reduction levels; (vii) operating cost management; and (viii) cost of capital;

- (k) Financial ratings, on a corporate, divisional or unit basis, including (i) credit rating; (ii) capital expenditures; (iii) debt; (iv) debt reduction; (v) working capital; (vi) average invested capital; and (vii) attainment of balance sheet or income statement objectives;
- (l) Market or category share, on a corporate, divisional or unit basis, including (i) market share; (ii) volume; (iii) unit sales volume; and (iv) market share or market penetration with respect to specific designated products or product groups and/or specific geographic areas;
- (m) Shareholder return, including (i) total shareholder return, stockholder return based on growth measures or the attainment of a specified share price for a specified period of time; and (ii) dividends; and
- (n) Objective nonfinancial performance criteria on a corporate, divisional or unit basis, including (i) attainment of strategic and business goals; (ii) regulatory compliance; (iii) productivity and productivity improvements; (iv) inventory turnover, average inventory turnover or inventory controls; (v) net asset turnover; (vi) customer satisfaction based on specified objective goals or company-sponsored customer surveys; (vii) employee satisfaction based on specified objective goals or company-sponsored employee surveys; (viii) objective employee diversity goals; (ix) employee turnover; (x) specified objective environmental goals; (xi) specified objective social goals; (xii) specified objective goals in corporate ethics and integrity; (xiii) specified objective safety goals; (xiv) specified objective business integration goals; (xv) specified objective business expansion goals or goals relating to acquisitions or divestitures; and (xvi) succession plan development and implementation.

The Committee may provide in any Performance Award that any evaluation of performance shall include or exclude any of the following items: (1) asset write-downs; (2) litigation or claim judgments or settlements; (3) the effect of changes in tax laws, accounting principles, regulations, or other laws or regulations affecting reported results; (4) any reorganization and restructuring programs; (5) acquisitions or divestitures; (6) unusual nonrecurring or extraordinary items identified in the Company's audited financial statements, including footnotes; (7) annual incentive payments or other bonuses; or (8) capital charges.

8.04 Settlement of Performance Awards . Prior to settlement of a Performance Award intended to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code, the Committee shall certify the level of attainment of performance goals and the satisfaction of other material terms of the Award upon which settlement of the Award was conditioned. The Committee may not exercise discretion to increase the amount payable to a covered employee (as defined in Section 162(m)(3)) of the Code in respect of a Performance Award intended to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code. Any settlement which changes the form of payment from that originally specified shall be implemented in a manner such that the Performance Award and other related Awards intended to qualify for the "performance-based compensation" exception under Section 162(m) of the Code do not, solely for that reason, fail to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code.

8.05 Written Determinations . Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards, the level of actual achievement of the specified performance goals, and the amount of any actual Performance Award shall be recorded in writing in the case of Performance Awards intended to qualify as “performance-based compensation” under Section 162(m) of the Code.

8.06 Additional and Substitute Awards . Awards granted under the Plan may, in the discretion of the Committee, be granted either in addition to, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Affiliate, or any business entity acquired or to be acquired by the Company or an Affiliate. An Award may specify that the Participant is to receive payment from the Company or any Affiliate. Awards granted in addition to other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards.

8.07 Interest . Unless interest is specifically provided for in this Plan or the Award Agreement, no interest will be paid on Awards. The Award Agreement may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the granting or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock.

8.08 Exemptions from Section 16(b) Liability . With respect to a Participant who is then subject to the reporting requirements of Section 16(a) of the Exchange Act in respect of the Company, the Committee shall grant Awards under the Plan and otherwise administer the Plan in a manner so that the grant and exercise of each Award with respect to such a Participant may qualify for an available exemption from liability under Rule 16b-3, Rule 16b-6, or otherwise not be subject to liability under Section 16(b), provided that this provision shall not be construed to limit sales or other dispositions by such a Participant (in connection with an exercise or otherwise), and shall not limit a Participant’s ability to engage in other non-exempt transactions under the Plan. The Committee may authorize the Company to repurchase any Award or shares of Stock deliverable or delivered in connection with any Award in order to avoid a Participant who is subject to Section 16 of the Exchange Act incurring liability under Section 16(b). Unless otherwise specified by the Participant, equity securities or derivative securities acquired under the Plan which are disposed of by a Participant shall be deemed to be disposed of in the order acquired by the Participant.

IX. Change in Control

9.01 Committee Discretion for Awards that are not 409A Compensation . Unless otherwise provided in the Award Agreement, in the event there is any Change in Control, the Committee may, in its discretion, with respect to any Award or agreement that is not 409A Compensation, without the consent of the Participant, provide for any or all of the following to occur:

- (a) the assumption or substitution of, or adjustment to, such outstanding Award or agreement;
- (b) acceleration of the vesting of such Award and termination of any restrictions or performance conditions on such Award; or
- (c) the cancellation of such Award or agreement for a payment to the Participant in cash or other property in an amount determined by the Committee.

The Committee may provide for the preceding to occur immediately upon the Change in Control or upon the Termination of Service of the Participant initiated by the Company or an Affiliate other than for Cause within a fixed time following the Change in Control. In addition, with respect to any unexercised Option or SAR, the Committee may extend the period for exercising the vested portion thereof for a stated period following such a Termination of Service within such fixed time (but only during the stated term of the Option or SAR).

9.02 Effect of Change in Control on 409A Compensation . Unless otherwise provided at the time of grant of an Award providing for 409A Compensation, in the event there is a Change in Control, and within the one-year period thereafter, an affected Participant has a Termination of Service initiated by the Company or an Affiliate other than for Cause, then such Participant's outstanding Awards shall thereupon become fully vested, any restrictions or performance conditions on such Award shall thereupon lapse; and the Award shall be settled as promptly as practicable but no more than 30 days following such termination, subject to Section 10.12(b).

X. General Provisions

10.01 Additional Award Forfeiture Provisions . The Committee may condition an Eligible Person's right to receive a grant of an Award, or a Participant's right to exercise an Award, to retain Stock, cash or other property acquired in connection with an Award, or to retain the profit or gain realized by a Participant in connection with an Award, including cash or other property received upon sale of Stock acquired in connection with an Award, upon the Participant's compliance with specified conditions relating to non-competition, confidentiality of information relating to the Company, non-solicitation of customers, suppliers, and employees of the Company, cooperation in litigation, non-disparagement of the Company and its officers, Directors and Affiliates, or other requirements applicable to the Participant, as determined by the Committee, at the time of grant or otherwise, including during specified periods following Termination of Service.

10.02 Compliance with Legal and Other Requirements .

- (a) The Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation (including, without limitation, obtaining any approval, order or ruling from the Securities and Exchange Commission, the Internal Revenue Service or any other governmental agency that the Committee or the Company shall determine to be necessary or advisable), listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Company may consider appropriate, and may require any Participant, as a condition of receiving payment under an Award or delivery of Stock under an Award, to make such representations and covenants, furnish such information and comply with or be subject to such other conditions as the Company deems necessary or advisable in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations.

- (b) Without limiting the generality of the foregoing, no Stock or other form of payment shall be delivered with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal, state and other securities laws. All certificates, or book-entry accounts, for shares of Stock delivered under the Plan shall be subject to such stop-transfer orders and other restrictions as the Company may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which Stock is then listed and any applicable federal, state or other securities laws, and the Company may cause a legend or legends to be placed on any such certificates, or notations on such book-entry accounts, to make appropriate reference to such restrictions. The foregoing provisions of this paragraph 10.02(b) shall not be effective with respect to Awards held by United States residents (a) if and to the extent that the shares of Stock delivered under the Plan are covered by an effective and current registration statement under the Securities Act of 1933, as amended, and the Stock is a “covered security” within the meaning of Section 18 of the Securities Act of 1933, as amended, or (b) if and so long as the Company determines that application of such provisions are no longer required or desirable. Without limiting the foregoing, the Committee may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by a Participant of any shares of Stock delivered under the Plan, including, without limitation, restrictions under the Company’s insider trading policy and restrictions as to the use of a specified brokerage firm for such resales or other transfers.

10.03 Designation of Beneficiary . By written instrument filed with the Company during the Participant's lifetime in a manner specified by the Committee in the Award Agreement or in the Committee's rules and procedures of general application, each Participant may file with the Committee a written designation of one or more persons or revocable trusts as the Beneficiary who shall be entitled to receive the amount, if any, payable hereunder after the Participant's death or to exercise an Award or to receive settlement of an Award after the Participant's death. No such designation of Beneficiary shall be effective until filed with the Committee. A Participant may, from time to time, revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee prior to the Participant's death shall be controlling. If no such Beneficiary designation is in effect at the time of the Participant's death, or if no designated Beneficiary survives the Participant, the Participant's estate shall be deemed to have been designated his or her Beneficiary and the executor or administrator thereof shall receive the amount, if any, payable hereunder and shall be entitled to exercise or receive settlement of an Award after the Participant's death. If the Committee is in doubt as to the right of any person as Beneficiary, the Company may retain any amount in question until the rights thereto are determined, or the Company may pay such amount into any court of appropriate jurisdiction and such payment shall be a complete discharge of the liability of the Company therefor.

10.04 Tax Provisions .

- (a) *Withholding .* The Company and any Affiliate is authorized to withhold, at the time of grant or settlement or other time as appropriate, from any Award or Account, any payment relating to an Award or Account, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes required to be withheld by the Company or Affiliate. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of the Company's (or an Affiliate's) withholding obligations in the discretion of the Committee. Unless the Committee otherwise specifies, Participants shall satisfy withholding tax amounts by having the Company (or an Affiliate) withhold from the Stock to be delivered upon exercise of an Option or vesting or settlement of a Stock Award that number of shares of Stock having a Fair Market Value equal (but not in excess of) to the minimum amount required by law to be withheld, and any additional required withholding shall be satisfied in cash.

- (b) *Required Consent to and Notification of Section 83(b) Election of the Code .* No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award Agreement or by action of the Committee in writing prior to the making of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Committee of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code or other applicable provision.

- (c) *Requirement of Notification Upon Disqualifying Disposition Under Section 421(b) of the Code* . If any Participant shall make any disposition of shares of Stock delivered pursuant to the exercise of an ISO under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), such Participant shall notify the Committee of such disposition within ten days thereof.
- (d) *Payment of Tax Amount* . Notwithstanding anything herein to the contrary, in the event the Internal Revenue Service should finally determine that an Award that has not been settled is nevertheless required to be included in the Participant's or a Beneficiary's gross income for federal income tax purposes, then an amount necessary to pay the minimum applicable federal, state or local income taxes on such includible value shall be distributed with respect to the Award in a lump sum cash payment within sixty (60) days after such determination, without the requirement of separate approval by the Committee. A "final determination" of the Internal Revenue Service is a determination in writing ordering the payment of additional tax, reporting of additional gross income or otherwise requiring an Account or portion thereof to be included in gross income, which is not appealable or which the Participant or Beneficiary does not appeal within the time prescribed for appeals. For avoidance of doubt, this Section 10.04(d) applies to all Awards and Accounts both 409A Compensation and non-409A Compensation.
- (e) *Participant Responsibility* . Each Participant is solely responsible for all taxes of any nature imposed on the Participant in connection with any Award, including without limitation any taxes under Section 409A or Section 4999 of the Code. Nothing in this Plan or any Award Agreement shall be construed to guarantee the tax consequences to the Participant of any Award.

10.05 Limitation on Benefits .

- (a) In the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Participant (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise) (a "Payment") would be nondeductible by the Company for Federal income tax purposes because of Section 280G of the Code, then the aggregate present value of amounts payable or distributable to or for the benefit of the Participant to this Plan (such payments or distributions pursuant to this Plan are hereinafter referred to as "Plan Payments") shall be reduced to the Reduced Amount. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Plan Payments without causing any Payment to be nondeductible by the Company because of Section 280G of the Code. Such reduction shall be applied after any reduction to zero if necessary under the Walgreens Boots Alliance, Inc. Executive Severance and Change in Control Plan but before any reduction of any other payments that are not Plan Payments unless the plan or agreement calling for such payments expressly provides to the contrary making specific reference to this Plan. Anything to the contrary notwithstanding, if the Reduced Amount is zero and it is determined further that any Payment which is not a Plan Payment would nevertheless be nondeductible by the Company for Federal income tax purposes because of Section 280G of the Code, then the aggregate present value of Payments which are not Plan Payments shall also be reduced (but not below zero) to an amount expressed in present value which maximizes the aggregate present value of Payments without causing any Payment to be nondeductible by the Company because of Section 280G of the Code. For purposes of this Section, present value shall be determined in accordance with Section 280G(d)(4) of the Code.

- (b) The Committee shall select a firm of certified public accountants of national standing, (the “Accounting Firm”), which may be the firm regularly auditing the financial statements of the Company. The Accounting Firm shall make all determinations required to be made under this Section and shall provide detailed supporting calculations both to the Company and the Participant within 15 business days of the Termination of Service or such earlier time as is requested by the Company and an opinion to the Participant that he has substantial authority not to report any Excise Tax on his Federal income tax return with respect to any Payments. Any such determination by the Accounting Firm shall be binding upon the Company and the Participant. The Accounting Firm shall determine which and how much of the Plan Payments or Payments, as the case may be, shall be eliminated or reduced consistent with the requirements of this Section 10.05, provided that, if the Accounting Firm does not make such determination within 15 business days of the Termination of Service the Company shall elect which and how much of the Plan Payments or Payments, as the case may be, shall be eliminated or reduced consistent with the requirements of this Section 10.05 and shall notify the Participant promptly of such election. Within five business days thereafter, the Company shall pay to or distribute to or for the benefit of the Participant such amounts as are then due to the Participant under this Plan.
- (c) As a result of the uncertainty in the application of Section 280G of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Plan Payments or Payments, as the case may be, will have been made by the Company which should not have been made (“Overpayment”) or that additional Plan Payments or Payments, as the case may be, which will not have been made by the Company could not have been made (“Underpayment”), in each case, consistent with the calculations required to be made hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against the Participant which the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, promptly on notice and demand the Participant shall repay to the Company any such Overpayment paid or distributed by the Company to or for the benefit of the Participant together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such amount shall be payable by the Participant to the Company if and to the extent such payment would not either reduce the amount on which the Participant is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code.

10.06 Amendment and Termination of the Plan . The Company, acting through its Board directly or on the recommendation of the Committee, may at any time terminate, and from time to time may amend or modify the Plan; provided, however, that no amendment or modification may become effective without approval of the amendment or modification by the shareholders if shareholder approval is required to enable the Plan to satisfy any applicable federal or state statutory or regulatory requirements or applicable exchange listing requirements; and provided further, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any outstanding Award (for this purpose, actions that alter the timing of federal income taxation of a Participant will not be deemed material unless the Committee determines that such action would result in an income tax penalty on the Participant).

10.07 No Repricing . Without the approval of shareholders, the Committee will not amend or replace previously granted Options or SARs in a transaction that constitutes a “repricing,” as such term is used in Section 303A.08 of the Listed Company Manual of the New York Stock Exchange. In addition, and for avoidance of doubt, none of the following is permitted to occur without approval of shareholders: (a) lowering the grant price of outstanding Options and SARs, and (b) cancelling outstanding Options and SARs in exchange for cash, other Awards, or replacement Options and SARs with grant prices that are less than the grant prices of the cancelled Options or SARs.

10.08 Clawback; Right of Setoff . Awards are subject to the Company’s policy on recoveries and such other terms and conditions as the Committee may impose. The Company or any Affiliate may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or an Affiliate may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant, such amounts as may be owed by the Participant to the Company, although the Participant shall remain liable for any part of the Participant’s payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section. Notwithstanding the foregoing, no setoff from 409A Compensation may be made if it results in acceleration or deferral of the permitted payment date under Section 409A of the Code.

10.09 Nonexclusivity of the Plan . Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, including incentive arrangements and awards which do not qualify under Section 162(m) of the Code, and such other arrangements may be either applicable generally or only in specific cases.

10.10 Treatment of Awards by Other Plans . No Award shall be treated as compensation for the purpose of determining benefits based on compensation under any other plan or arrangement of the Company or any Affiliate unless such plan or arrangement provides to the contrary making specific reference to this Plan or to such form of compensation under a Former Plan.

10.11 Payments in the Event of Forfeitures; Fractional Shares . Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration, or if less, the Fair Market Value on the date of forfeiture of the Stock for which the Participant paid. Distributions in Stock shall be made in whole shares only, with the value of any fractional share distributed in cash.

10.12 Considerations Under Section 409A of the Code .

- (a) *Construction in Compliance with Code Section 409A* . The Company intends that none of the grant, exercise, settlement or amendment or termination of any Award under the Plan will cause the Participant to be liable for payment of interest or a tax penalty under Code Section 409A. The provisions of the Plan and any Award Agreement shall be construed consistent with that intent.
- (b) *Six-Month Delay* . Any distribution or settlement of 409A Compensation triggered by the Termination of Service of a Specified Employee that would otherwise be made prior to the Deferred Distribution Date (as defined below) shall not occur earlier than the Deferred Distribution Date. The “Deferred Distribution Date” is the day that is six (6) months and one (1) day after a Participant’s Termination of Service (or the Specified Employee’s date of death, if earlier).

- (c) *Certain Grandfathered Awards* . Awards under a Pre-Existing Plan that are “grandfathered” under Section 409A of the Code and that, but for such grandfathered status, would be deemed to be subject to Section 409A of the Code shall be subject to the terms and conditions of the applicable Pre-Existing Plan, provided that if any provision adopted by amendment to a Pre-Existing Plan or an Award Agreement after October 3, 2004, would constitute a material modification of such grandfathered Award, such provision will not be effective as to such Award unless so stated by the Committee in writing with specific reference to revoking such grandfathered status.

10.13 Governing Law . The Plan and all agreements and forms hereunder shall be construed in accordance with and governed by the laws of the State of Illinois without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

10.14 Awards to Participants Outside the United States . The Committee may adopt rules and procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures for a Participant or group of participants who are then resident or primarily employed outside of the United States. Without limiting the generality of the foregoing, the Committee is specifically authorized (a) to adopt the rules and procedures regarding the conversion of local currency, withholding procedures and handling of evidence of Stock ownership which vary with local requirements and (b) to adopt sub-plans, and Plan addenda as the Committee deems desirable, to accommodate foreign laws, regulations and practice; and (C) to modify the terms of any Award under the Plan in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant’s residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States.

10.15 Limitation on Rights Conferred under Plan . Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or an Affiliate, (ii) interfering in any way with the right of the Company or an Affiliate to terminate any Eligible Person’s or Participant’s employment or service at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and employees, or (iv) conferring on a Participant any of the rights of a shareholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award. Neither the Plan nor any action taken hereunder shall be construed to alter the status of any Eligible Person or Participant as an employee at will. Except as expressly provided in the Plan or an Award Agreement, neither the Plan nor any Award Agreement shall confer on any person other than the Company and the Participant any rights or remedies thereunder.

10.16 Severability; Entire Agreement . If any of the provisions of this Plan or any Award Agreement are finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of provision of a restrictive covenant applicable to an Award pursuant to Section 10.01 (a “Restrictive Covenant”) is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder; and further provided that if any portion of a Restrictive Covenant is finally held to be invalid, illegal or unenforceable notwithstanding such modification or because such modification of the acceptable scope does not cure such invalidity, illegality or unenforceability, such provision shall not be severable, the entire Award shall be deemed invalid, illegal and unenforceable; the Company and its Affiliates shall have no liability or obligation respecting such Award, and the Participant shall forthwith restore to the Company any payment or settlement previously made pursuant to that Award. The Plan and any Award Agreements contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

10.17 Plan Term . Unless earlier terminated by action of the Board of Directors, the Plan will remain in effect until such time as no Stock remains available for delivery under the Plan, and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan; subject to Section 7.01(C)(iii) regarding Incentive Stock Options.

10.18 Gender and Number . Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definitions of any term herein in the singular shall also include the plural.

10.19 General Creditor Status . With respect to any award other than Restricted Stock Shares, each Participant and Beneficiary shall be and remain an unsecured general creditor of the Company with respect to any payments due and owing to such Participant or Beneficiary hereunder. All payments to persons entitled to benefits hereunder shall be made out of the general assets of the Company and shall be solely the obligation of the Company. To the extent the Plan is a promise by the Company to pay benefits in the future and it is the intention of the Company and Participants that the Plan be “unfunded” for tax purposes (and for the purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended).

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: Participant Name

Participant ID: Participant ID

Grant Date: Grant Date (the "Grant Date")

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

Shares Granted: Shares Granted

Acceptance Date: Acceptance Date

Electronic Signature: 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 the target award dollar amount for your position 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:

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

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 within 12 months of the end of the Performance Period you have a Termination of Service by reason of Retirement, 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 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 employment 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 employment 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 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 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: Participant Name

Participant ID: Participant ID

Grant Date: Grant Date (the "Grant Date")

Grant Price: Grant Price

Shares Granted: Shares Granted (the "Shares Granted")

Vesting: [If graded - One third of the Shares Granted vest on each of the first, second and third anniversaries of the Grant Date (the "Vesting Dates"); If cliff – Three years from the Grant Date (the "Vesting Date")]

Expiration Date: Expiration Date (the "Expiration Date")

Acceptance Date: Acceptance Date

Electronic Signature: 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, then (a) the number of Shares Granted for which you may exercise the Option shall be determined by treating each Vesting Date specified in the introduction to this Agreement as occurring one year prior to that Vesting Date, but (b) your right to exercise any portion of the Option that is vested upon your Retirement shall terminate upon the earlier of the Expiration Date or a date which is one (1) year after the date of your Retirement. 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 employment 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 employment 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 (AS AMENDED AND RESTATED)

UK SUB-PLAN

Adopted by the Committee on October 13, 2015

1. INTRODUCTION

- 1.1 The Committee has established this UK Sub-Plan (the "**UK Sub-Plan**") of the Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan (as may be amended or restated from time to time) (the "**Plan**") pursuant to Section 10.14 of the Plan for the purpose of granting Tax-advantaged Options (as defined below) to eligible employees of Walgreens Boots Alliance, Inc. (the "**Company**") and its Subsidiaries (as defined in Rule 2 below), who are or may be subject to United Kingdom taxation. Except as otherwise defined herein, capitalized terms used in this UK Sub-Plan have the respective meanings set forth in the Plan.
- 1.2 The UK Sub-Plan is intended to be a CSOP Scheme compliant with the requirements of Schedule 4 to the (UK) Income Tax (Earnings and Pensions) Act 2003 ("**Schedule 4**"). Specifically, the purpose of the UK Sub-Plan shall be as described in paragraph 5 of Schedule 4 and is to provide, in accordance with Schedule 4, benefits for Employees (as defined in Rule 2 below) in the form of Tax-advantaged Options. This UK Sub-Plan does not permit benefits to be provided to employees or directors otherwise than in accordance with Schedule 4. The Company makes no undertaking nor representation that the UK Sub-Plan will qualify as a CSOP Scheme, nor that it will maintain the UK Sub-Plan's status as a CSOP Scheme.
- 1.3 The terms of the Plan shall form part of the UK Sub-Plan insofar as they have not been replaced, disappplied or modified by the Rules of this UK Sub-Plan and insofar as such terms are compliant with the requirements of Schedule 4. All provisions of the Plan which form part of this UK Sub-Plan shall be construed, interpreted and applied in accordance with and subject to the Rules of this UK Sub-Plan. Where any section of the Plan refers to the Plan, for the purposes of the UK Sub-Plan such section shall be read and construed as modified by the UK Sub-Plan. In the event of any conflict between the Plan and the UK Sub-Plan, the UK Sub-Plan will prevail.
- 1.4 Where the Committee wishes to grant Options to Employees (as defined below) in the United Kingdom, such Options may be granted subject to and in accordance with the Rules of this UK Sub-Plan.
- 1.5 Options granted under this UK Sub-Plan shall be rights to purchase Shares subject to the Rules of this UK Sub-Plan and shall be referred to as "**Tax-advantaged Options**". Only Tax-advantaged Options, a type of Nonstatutory Option, may be granted under the UK Sub-Plan and accordingly references in the Plan to "ISOs" and any other types of award shall be disregarded for the purposes of the UK Sub-Plan.
- 1.6 The provisions of the UK Sub-Plan shall apply only to Tax-advantaged Options granted under the UK Sub-Plan.
- 1.7 The endnotes contained in this UK Sub-Plan are provided for information purposes only.

2. DEFINITIONS (SECTION 3 OF THE PLAN)

- 2.1 Unless defined herein, capitalized words or phrases shall have the meaning given to them in the Plan. For the purposes of the UK Sub-Plan:

- (a) " **Control** " has the meaning given in section 995 i of the (UK) Income Tax Act 2007.
- (b) " **CSOP Scheme** " means a CSOP scheme compliant with the requirements of Schedule 4 (thus qualifying as a 'Schedule 4 CSOP scheme' under paragraph 1(A1) of Schedule 4).
- (c) " **Employee** " means (i) any person employed by the Company or any Subsidiary (other than a director) and (ii) any "full-time" director of the Company or any Subsidiary, being a director required to work at least 25 hours or more per week (excluding meal breaks).
- (d) " **Fair Market Value** " means, as at any date, the value of a Share determined as follows:
 - (i) if the Shares are listed on NASDAQ Stock Market or other United States national securities exchange registered under the Exchange Act which constitutes a recognised stock exchange for HMRC's purposes, the closing price for the Shares (or if more than one closing price is shown, the lower price plus one-half of the difference between those two figures) on that day (or on the previous trading day, if the applicable date is not a trading day); or
 - (ii) if the Shares are not so listed, the market value as determined by the Committee in good faith in accordance with the provisions of Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed in advance for the purposes of the UK Sub-Plan with HMRC Shares and Assets Valuation,

in either case determined without regard to the effect of any restrictions that may apply to the Shares within the meaning of paragraph 36(3) ii of Schedule 4.
- (e) " **HMRC** " means the United Kingdom's HM Revenue & Customs.
- (f) " **Optionee** " means an individual who has been granted a Tax-advantaged Option in accordance with the Rules of the UK Sub-Plan.
- (g) " **Rules** " means the rules of this UK Sub-Plan.
- (h) " **Share** " means a share of Common Stock in the Company, which satisfies the conditions of paragraphs 16 to 18 (inclusive) and 20 iii of Schedule 4 at all material times.
- (i) " **Subsidiary** " means any company over which the Company has Control and which meets the definition of Affiliate in the Plan.
- (j) " **Subsisting Option** " means a Tax-advantaged Option which has neither lapsed nor been exercised.

2.2 Any reference in this UK Sub-Plan to any enactment includes a reference to that enactment as from time to time modified, extended or replaced.

3. ADMINISTRATION (SECTION 4 OF THE PLAN)

3.1 **AUTHORITY OF THE COMMITTEE.** The UK Sub-Plan shall be administered in accordance with and subject to the Rules of this UK Sub-Plan, and the Plan (including, without limitation, Section 4 of the Plan) shall be interpreted accordingly. Any discretion that the Committee and any delegated body has with respect to Tax-advantaged Options may only be exercised fairly and reasonably and not in breach of this UK Sub-Plan, Schedule 4 or any other requirements applicable to CSOP Schemes.

3.2 Without limitation to the foregoing, the discretions set out in Section 4.01(e) of the Plan shall not apply to Tax-advantaged Options granted under the UK Sub-Plan. Tax-advantaged Options may be granted only over Shares and may not be settled in cash nor any other property other than Shares (other than shares in a Successor Entity, as defined in Rule 8.2 below, pursuant to an exchange of Tax-advantaged Options pursuant to Rule 8.2 below).

3.3 The Committee shall not have any right to extend the exercise period of a Tax-advantaged Option beyond the time at which it would otherwise lapse under the Rules of the UK Sub-Plan or the terms of the applicable Award Agreement, and the Plan shall be interpreted accordingly.

4. SHARES SUBJECT TO THE PLAN (SECTION 5 OF THE PLAN)

4.1 NUMBER OF SHARES. In addition to the per person award limits stated in Section 5.03 of the Plan, the following shall apply for the purposes of the UK Sub-Plan:

Tax-advantaged Options granted to any person shall be limited and take effect so that the aggregate Fair Market Value of the Shares subject to the Tax-advantaged Option, when aggregated with the Fair Market Value of Shares subject to Subsisting Options, shall not exceed £30,000 or such other limit as may be specified in paragraph 6 of Schedule 4. For the purposes of this paragraph, Subsisting Options shall include all outstanding Tax-advantaged Options granted under this UK Sub-Plan and all outstanding tax-advantaged options granted under any other CSOP Scheme which has or may be established by the Company or any associated company within the meaning of paragraph 35 of Schedule 4. This limit shall be determined on the basis of the Fair Market Value of Shares as at the date(s) of grant of the relevant Tax-advantaged Options and the market value of the Shares as at the date(s) of grant of the options granted under the rules of any other relevant CSOP Scheme, converted from US dollars into pounds sterling at the rate of exchange applicable as at the date(s) of grant.

4.2 ADJUSTMENTS. The following shall replace Section 5.04 of the Plan for the purposes of the UK Sub-Plan:

Tax-advantaged Options may not be re-priced or adjusted otherwise than in accordance with this Rule 4.2. In the event of any variation in the share capital of the Company within paragraph 22(3) of Schedule 4, including (without limitation) any change to the capitalization, rights issue, consolidation, subdivision or reduction of share capital within paragraph 22(3) of Schedule 4, the number and description of Shares subject to a Tax-advantaged Option and the exercise price for each of those Shares may be adjusted in such manner as the Committee considers to be fair and reasonable provided that:

- (a) the aggregate amount payable on the exercise of a Tax-advantaged Option in full immediately after the variation or variations is substantially the same as what it was immediately before the variation or variations;
- (b) the total market value of the Shares which may be acquired by the exercise of the Tax-advantaged Option immediately after the variation or variations is substantially the same as what it was immediately before the variation or variations;
- (c) following the adjustment the Shares continues to satisfy the conditions specified in paragraphs 16 to 18 (inclusive) and 20 of Schedule 4; and
- (d) the variation does not result in the requirements of Schedule 4 not being met in relation to the Tax-advantaged Option.

For the purposes of this Rule 4.2, the market value of Shares subject to a restriction (within the meaning of paragraph 36(3) of Schedule 4) is to be determined as if they were not subject to the restriction.

5. ELIGIBILITY AND GENERAL CONDITIONS (SECTION 6 OF THE PLAN)

5.1 ELIGIBILITY. The following shall replace the first sentence of Section 6.01 of the Plan for the purposes of the UK Sub-Plan:

Tax-advantaged Options may be granted only to Employees (as defined in this UK Sub-Plan), and not to non-employees or consultants. No Tax-advantaged Option may be granted to any Employee who is precluded by paragraph 9 iv of Schedule 4 from participating in a CSOP Scheme.

5.2 TERMS AND CONDITIONS. The terms and conditions of Tax-advantaged Options must be consistent with the UK Sub-Plan and must be set out in the applicable Award Agreement at the time of grant, and Section 6.02 of the Plan shall be interpreted accordingly.

5.3 The terms and conditions of a Tax-advantaged Option may not be amended or supplemented following grant other than (i) pursuant to the Rules of this UK Sub-Plan (including, without limitation, Rules 4.2 and 9.10(f)), (ii) where such amendment or supplement is not to the advantage or disadvantage of the Options and the requirements of Schedule 4 are still met in relation to the Option, or (iii) as required by law or applicable regulatory rules, and the Plan (including, without limitation, Section 6.02 of the Plan) shall be interpreted accordingly.

5.4 The following terms of a Tax-advantaged Option shall be stated at the time the Tax-advantaged Option is granted, and shall be notified to the Optionee who was granted the Tax-advantaged Option as soon as practicable after the grant of such Tax-advantaged Option:

- (a) the exercise price;
- (b) the number and description of the Shares which may be acquired by the exercise of the Tax-advantaged Option;
- (c) the restrictions (within the meaning of paragraph 36(3) of Schedule 4) to which the Shares which may be acquired by the exercise of the Tax-advantaged Option may be subject (if any);
- (d) the times at which the Tax-advantaged Option may be exercised (in whole or in part);
- (e) the circumstances under which the Tax-advantaged Option will lapse or be cancelled (in whole or in part), including any conditions to which the exercise of the Tax-advantaged Option is subject (in whole or in part); and
- (f) any mechanism for amending the terms stated pursuant to Rules 5.4(b) to 5.4(e) (inclusive).

5.5 Any mechanism for amending the terms stated pursuant to Rules 5.4(b) to 5.4(e) (inclusive) shall, if applied, be applied in a way that is fair and reasonable and shall be consistent with the Rules of the UK Sub-Plan and Schedule 4.

5.6 TERMINATION OF SERVICE. In the event of the Optionee's death, an outstanding Tax-advantaged Option shall become fully vested and exercisable (to the extent not already vested and exercisable and not already lapsed) and may be exercised during a period of up to 12 months after the date of death, but may not be exercised more than 12 months after the date of death and may only be exercised by the personal representative(s) of the Optionee.

5.7 For the purposes of the UK Sub-Plan and without limitation, Section 6.04(a) of the Plan shall apply in the event of the Optionee's Termination of Service by reason of disability or injury (provided this is evidenced to the satisfaction of the Committee).

- 5.8 For the purposes of the UK Sub-Plan, Section 6.04(c) of the Plan shall apply, without limitation, where the Optionee's Termination of Service is by reason of retirement or where the Optionee's Termination of Service is due to involuntary termination by the Company or any Affiliate by reason of:
- (a) redundancy (within the meaning of the Employment Rights Act 1996 or the Employment Rights (Northern Ireland) Order 1996);
 - (b) a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006; or
 - (c) the company with which the Optionee holds office or employment ceasing to be controlled by the Company,
- or in any other circumstance where the Optionee's Termination of Service is due to involuntary termination by the Company or any Affiliate.
- 5.9 For the purposes of the UK Sub-Plan, the definitions of "Retire" and "Retirement" in the Plan shall not apply.
- 5.10 The Optionee's rights to exercise a Tax-advantaged Option pursuant to Section 6.04 of the Plan in the circumstances referred to in section 524(2B) of the UK Income Tax (Earnings and Pensions) Act 2003 or upon death shall be set out in the Plan and/or the applicable Award Agreement and shall not be subject to any discretion.
- 5.11 Section 6.04(e) of the Plan (Automatic Extended Exercisability in Certain Cases) shall be disapplied for the purposes of the UK Sub-Plan.
- 5.12 The discretions contained in Section 6.04(g) of the Plan (Waiver by Committee) may only be exercised fairly and reasonably and not in breach of this UK Sub-Plan, Schedule 4 or any other requirements applicable to CSOP Schemes.
- 5.13 **NON-TRANSFERABILITY.** The following shall replace Section 6.05 of the Plan for the purposes of the UK Sub-Plan:
- Notwithstanding any other provision of the UK Sub-Plan, a Tax-advantaged Option may not be sold, pledged, assigned, hypothecated, alienated, transferred, disposed of or encumbered in any manner, and the Plan shall be interpreted accordingly. A Tax-advantaged Option may be exercised during the life of the Optionee, in accordance with the UK Sub-Plan and applicable Award Agreement, only by the Optionee. A Tax-advantaged Option may be exercised after the Optionee's death by the Optionee's personal representative(s) in accordance with Rule 5.6 of the UK Sub-Plan.
- 5.14 Section 10.03 of the Plan (Designation of Beneficiary) shall be disapplied for the purposes of the UK Sub-Plan.
- 5.15 **SETTLEMENT, DEFERRAL AND CANCELLATION.** Tax-advantaged Options may be granted only over Shares and may not be settled in cash nor any other property other than Shares, and the Plan (including, without limitation, Sections 4 and 6 of the Plan) shall be interpreted accordingly.
- 5.16 The Company may not net settle the exercise of Tax-advantaged Options by withholding Shares, including for the purpose of satisfying the exercise price or any taxes due in respect of the Tax-advantaged Option.

- 5.17 Tax-advantaged Options may not be automatically exercised using a net settlement method and Section 6.04(f) (Automatic Exercise in Certain Cases) shall be disappplied accordingly.
- 5.18 Tax-advantaged Options shall be settled in accordance with Rule 6.4 of the UK Sub-Plan and shall not be deferred, and Section 6.08 of the Plan (Deferred Awards) shall be disappplied accordingly.
- 5.19 Tax-advantaged Options may not be cancelled in return for cash or any other property pursuant to any provision in the Plan.
- 5.20 STANDALONE OPTIONS. Tax-advantaged Options may be granted as standalone awards only and may not be granted in tandem with any other award. Section 6.07 of the Plan (Standalone, Tandem and Substitute Awards) shall be disappplied for the purposes of the UK Sub-Plan.

6. SPECIFIC PROVISIONS REGARDING EXERCISE (SECTION 7 OF THE PLAN)

- 6.1 EXERCISE PRICE. The exercise price of a Tax-Advantaged Option shall not be less than the Fair Market Value of a Share as at the date of grant of the Tax-advantaged Option. The applicable Award Agreement may not provide for the exercise price to be changed after grant other than in accordance with Rule 4.2.
- 6.2 PAYMENT OF EXERCISE PRICE. The exercise price of a Tax-advantaged Option may only be paid by cash, cheque, and/or (to the extent permitted by the applicable Award Agreement) through a cashless exercise, and Section 7.01 of the Plan shall be interpreted accordingly. The exercise price may not be paid using previously acquired Shares nor any other property. No Shares shall be retained by the Company upon exercise of a Tax-advantaged Option in order to satisfy the exercise price (nor any taxes due).
- 6.3 EXERCISABILITY. No Tax-advantaged Option may be exercised by any Optionee who is precluded by paragraph 9 v of Schedule 4 from participating in a CSOP Scheme.
- 6.4 ISSUE/TRANSFER OF SHARES TO OPTIONEE: Subject to applicable laws and any applicable regulatory rules, Shares shall be allocated or issued to the Optionee within 30 days of exercise. Except for any rights determined by reference to a date preceding the date of allotment or transfer, such Shares shall rank equally and as one class with other Shares of the same class already in issue.
- 6.5 POST-EXERCISE RESTRICTIONS ON SHARES. The Shares acquired on exercise may be subject to such restrictions as the Board or Committee may determine and/or such restrictions that may apply to all Shares. The details of any restrictions applying to the Shares must be stated at the time of grant and notified to the Optionee in accordance with Rule 5.4 of the UK Sub-Plan.
- 6.6 DIVIDEND EQUIVALENTS. Dividend Equivalents shall not be paid to Optionees in respect of Tax-advantaged Options and Section 7.05 of the Plan (Dividend Equivalents) shall be disappplied accordingly.
- 6.7 OTHER AWARDS. Sections 7.02, 7.03, 7.04, 7.06, 7.07, 7.08 and 7.09 of the Plan shall be disappplied for the purposes of the UK Sub-Plan.

7. PERFORMANCE OPTIONS (SECTION 8 OF THE PLAN)

- 7.1 Any performance conditions imposed on the exercise of a Tax-advantaged Option:
- (a) must be objective and set at the date of grant of the Tax-advantaged Option; and

- (b) cannot be waived or amended unless events occur which cause the Committee to consider that the performance conditions will not achieve their original purpose (in which case the Committee may make such alterations or additions to the performance conditions as are fair and reasonable provided that the amended performance conditions are no more difficult to meet than those originally imposed).

8. CHANGE IN CONTROL (SECTION 9 OF THE PLAN)

8.1 Section 9.01(c) of the Plan and the last sentence of Section 9.01 of the Plan shall not apply for the purposes of the UK Sub-Plan.

8.2 A Tax-advantaged Option may be exchanged for another option only in accordance with this Rule 8.2, and Section 9.01(a) of the Plan shall be interpreted accordingly. If any company (the "**Successor Entity** "):

- (a) obtains Control of the Company as a result of making a general offer (i) to acquire the whole of the issued ordinary share capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have Control of the Company or (ii) to acquire all the shares in the Company which are of the same class as the Shares subject to Subsisting Options;
- (b) obtains Control of the Company as a result of a compromise or arrangement sanctioned by the court under section 899 of the Companies Act 2006;
- (c) becomes bound or entitled to acquire shares in the Company under sections 979 to 982 or 983 to 985 of the Companies Act 2006; or
- (d) obtains Control of the Company as a result of a non-UK company reorganization arrangement (within the meaning of paragraph 35ZA of Schedule 4) which has become binding on the shareholders covered by it,

the Optionee may agree with the Successor Entity to release the Tax-advantaged Option (the "**Old Option** ") in consideration of the grant of a new option (the "**New Option** ") which satisfies the conditions below.

8.3 For the purposes of Rule 8.2(a)(i), the reference to the issued ordinary share capital of the Company does not include any capital already held by the person making the offer or a person connected with that person, and for the purposes of Rule 8.2(a)(ii), the reference to the shares in the Company does not include any shares already held by the person making the offer or a person connected with that person. For the purposes of Rule 8.2(a), it does not matter if the general offer is made to different shareholders by different means.

8.4 The conditions are that the New Option:

- (a) is over shares in the Successor Entity or in a company which has Control over the Successor Entity which satisfies the conditions specified in paragraphs 16 to 18 (inclusive) and 20 of Schedule 4;
- (b) is a right to acquire shares which, on acquisition of the New Option, have an aggregate market value which is substantially the same as the aggregate Fair Market Value of the shares subject to the Old Option on its disposal;
- (c) has a purchase price per share such that the aggregate price payable on complete exercise substantially the same as the aggregate price which would have been payable on complete exercise of the Old Option; and

(d) is otherwise identical in terms to the Old Option.

8.5 For the purposes of Rule 8.4:

- (a) the market value of any Shares is to be determined using a methodology agreed by HMRC; and
- (b) the market value of Shares subject to a restriction (within the meaning of paragraph 36(3) of Schedule 4) is to be determined as if they were not subject to the restriction.

8.6 Where any New Option is granted pursuant to Rule 8.2, the provisions of the UK Sub-Plan shall, in relation to the New Option, be construed as if references to the Company and the Shares were references to the Successor Entity or, as the case may be, to the other company to whose shares the New Option relates and to the shares in the Successor Entity or that other company. The New Option shall, for all other purposes of the UK Sub-Plan, be treated as having been acquired at the same time as the Old Option, which is released in consideration for the grant of the New Option.

8.7 The agreement to release the Old Option in exchange for the grant of a New Option under Rule 8.2 must take place within the period of six months beginning with the time when, as the case may be, Control of the Company has been obtained and any conditions subject to which the offer is made is met, the court sanctions the compromise or arrangement, or the non-UK reorganisation arrangement becomes binding on the shareholders covered by it, or within the period during which the Successor entity remains bound or entitled in accordance with Rule 8.2(c) above.

8.8 If an event has occurred pursuant to Rule 8.2, the UK Sub-Plan remains that of the Company and no further Tax-advantaged Options may be granted under the UK Sub-Plan.

9. GENERAL PROVISIONS (SECTION 10 OF THE PLAN)

9.1 BENEFICIARIES. Section 10.03 of the Plan (Designation of Beneficiary) shall be disappplied for the purposes of the UK Sub-Plan.

9.2 WITHHOLDING TAXES. The following shall replace Section 10.04 of the Plan for the purposes of the UK Sub-Plan:

If the Company or any Subsidiary is liable to withhold and account to HMRC for any sum in respect of income tax or national insurance contributions ("Taxes ") in connection with the Tax-advantaged Option, and the Optionee has not accompanied the notice of exercise with a sufficient amount to cover the Taxes arising on exercise, the Company shall be entitled to withhold or collect such Taxes:

- (a) by deduction from salary or any other amount payable to the Optionee at any time, including proceeds acquired upon a cashless exercise;
- (b) directly from the Optionee by payment in cash or cleared funds; or
- (c) by arranging, on behalf of the Optionee, for the sale of a sufficient number of the Shares that the Optionee is entitled to receive on the exercise of the Tax-advantaged Option.

A withholding liability may not be satisfied by the Company withholding Shares otherwise due to be received by the Optionee on the exercise of the Tax-advantaged Option.

If the Company or any Subsidiary is liable to withhold and account to any other tax authority for any sum in respect of tax or social security contributions in connection with the Tax-advantaged Option, the Company shall be entitled to withhold or collect such amounts using any of the methods referred to in this Rule 9.2.

- 9.3 The applicable Award Agreement may provide that it is a condition of exercise that the Optionee agrees to accept any liability for secondary Class 1 National Insurance contributions which may be payable by the Company or Subsidiary on the exercise of the Tax-advantaged Option (" **Employer NICs** "). The Optionee may also be required to execute a joint election with the Company or the Optionee's employer in relation to the Employer NICs, the form of such election being formally approved by HMRC, and any other joint election which may be required between the Optionee and any successor to the Company or the Optionee's employer.
- 9.4 The applicable Award Agreement may provide that it is a condition of participation in the UK Sub-Plan that the Optionee enter into a joint election within section 431 of the (UK) Income Tax (Earnings and Pensions) Act 2003 in respect of computing any tax charge on the acquisition of "restricted securities" (as defined in sections 423 and 424 of the (UK) Income Tax (Earnings and Pensions) Act 2003).
- 9.5 LIMITATION ON BENEFITS. Section 10.05 of the Plan (Limitation on Benefits) shall be disappplied for the purposes of the UK Sub-Plan.
- 9.6 REPRICING. Section 10.07 of the Plan (No Repricing) shall be subject to Rules 4.2 and 5.19 of the UK Sub-Plan, for the purposes of the UK Sub-Plan.
- 9.7 FORFEITURE AND RECOUPMENT. The first sentence of Section 10.08 of the Plan (Clawback) shall be disappplied for the purposes of the UK Sub-Plan, except to the extent that a provision is included in the applicable Award Agreement in a manner consistent with the requirements of Schedule 4. The remainder of Section 10.08 of the Plan (Clawback; Right of Setoff) shall be disappplied for the purposes of the UK Sub-Plan.
- 9.8 Section 10.01 of the Plan shall be replaced by the following for the purposes of the UK Sub-Plan:
- The Committee may provide in the applicable Award Agreement that the Committee has the right to cause a Tax-advantaged Option to lapse in the event that the Optionee does not comply with specified conditions relating to non-competition, confidentiality of information relating to the Company, non-solicitation of customers, suppliers, and employees of the Company, cooperation in litigation, non-disparagement of the Company and its officers, Directors and Affiliates, or other requirements applicable to the Participant, as determined by the Committee, including during specified periods following Termination of Service.
- 9.9 For the purposes of the UK Sub-Plan, the words from and including "and provided further that" to the end of that sentence in Section 10.16 shall be disappplied.
- 9.10 MISCELLANEOUS. The following provisions shall be added to Section 10 of the Plan:
- (a) The rights and obligations of any individual under the terms of that person's employment with the Company or any Affiliate shall not be affected by participation (or non-participation) in the UK Sub-Plan. An individual who is granted a Tax-advantaged Option shall have no right to compensation or damages in consequence of the loss or diminution in value of the Tax-advantaged Option or Shares acquired pursuant to the Tax-advantaged Option for any reason including, but not limited to, as a result of the termination of that person's employment with the Company or Affiliate for any reason whatsoever and whether or not in breach of contract. If an individual did acquire any such rights, that person would be deemed to have waived them irrevocably by not renouncing the Tax-advantaged Option.

- (b) The UK Sub-Plan shall terminate in accordance with the termination of the Plan or such earlier time as the Board or Committee may decide.
- (c) Subject to Rule 9.10(d) below, the Board or Committee may amend, suspend or terminate the UK Sub-Plan at any time and for any reason.
- (d) For as long as the UK Sub-Plan is intended to qualify as a CSOP Scheme, no amendment may be made to the UK Sub-Plan that would result in the UK Sub-Plan not meeting the requirements of Schedule 4.
- (e) The Board or Committee may make any amendment which it considers necessary or desirable in order for the UK Sub-Plan to qualify or continue to qualify as a CSOP Scheme, including (without limitation) to reflect any legislative amendments to Schedule 4 or pursuant to the issuance by HMRC to the Company of a notice under paragraph 28I of Schedule 4 requiring that the Company secure that the requirements of Schedule 4 are met in the relation to the UK Sub-Plan.
- (f) Further, the Board or Committee may make amendments to Tax-advantaged Options granted under the UK Sub-Plan without the consent of the affected Optionees in order to comply or continue to comply with the provisions of, or reflect any legislative amendments to, Schedule 4, and/or to enable the Company to comply with any notice issued by HMRC to the Company under paragraph 28I of Schedule 4.

i Section 995 of the Income Tax Act 2007: Control means the power of a person to secure, by holding sufficient shares or voting rights or as a result of other powers conferred, that the affairs of a company are conducted in accordance with that person's wishes.

ii Paragraph 36(3) of Schedule 4: Shares are subject to a restriction if there is any contract, agreement, arrangement or condition which may provide for:

- a transfer, reversion or forfeiture of the shares for less than market value;
- a restriction on the freedom of the holder to dispose of or hold onto the shares; or
- a disadvantage due to the disposal or retention of the shares.

iii Paragraphs 16 to 18 and 20 of Schedule 4 (as they apply to the Company): The Shares must:

- form part of the ordinary share capital of the Company, as the scheme organiser;
- be in a company listed on a recognised stock exchange (such as NASDAQ) or be in a company which is not under the control of another company;
- be fully paid up and not redeemable; and
- unless the ordinary share capital consists of one class only, the majority of the issued shares of the same class as the Shares must be "open market" shares (i.e. if the persons holding the shares are not (a) persons who acquired their shares as a result of a right conferred on them or an opportunity afforded to them as a director or employee of the scheme organiser or any other company, and not as a result of an offer to the public, or (b) trustees holding shares on behalf of persons who acquired their beneficial interests in the shares as mentioned in (a)).

iv Paragraph 9 of Schedule 4: A Tax-advantaged Option may not be granted to or exercised by an individual holding an interest of more than 30% of the ordinary share capital of the Company, if the Company is a close company. A close company is one that is controlled by its directors or five or fewer persons.

v See note iv.

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

UK SUB-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

UK SUB-PLAN

STOCK OPTION AWARD AGREEMENT

Participant Name: Participant Name

Participant ID: Participant ID

Grant Date: Grant Date (the "Grant Date")

Grant Price: Grant Price

No. of Shares under Option Granted: Shares Granted (the "Shares Granted")

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

Expiration Date: Expiration Date (the "Expiration Date")

Acceptance Date: Acceptance Date

Electronic Signature: 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 UK Sub-Plan of the Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan (the "UK Sub-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 UK Sub-Plan (which incorporates and modifies the terms of the Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan (the "US Plan" and, together with the UK Sub-Plan, 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.

The terms of this Option, including any restrictions on the Shares under this Option, the times at which this Option may be exercised (in whole or in part), the circumstances under which this Option will lapse or be cancelled (in whole or in part), any conditions to which the exercise of this Option is subject (in whole or in part) and any mechanism for varying the terms of this Option, are set out in this Agreement and the rules of the Plan. The rules of the UK Sub-Plan, the rules of the US Plan and applicable Company policies can be accessed at MyHR or from your HR representative.

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 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 as may be permitted by the Plan 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 or injury (as evidenced to the satisfaction of the Committee or its delegate), 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 you die without having fully exercised this Option, then any Shares Granted under the Option that are not yet vested (but which have not lapsed or been forfeited) at that time shall be fully vested and (a) the Option may be exercised, subject to the UK Sub-Plan, by your personal representative(s) 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 not later than 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, then (a) the number of Shares Granted for which you may exercise the Option shall be determined by treating each Vesting Date specified in the introduction to this Agreement as occurring one year prior to that Vesting Date, but (b) your right to exercise any portion of the Option that is vested upon your retirement shall terminate upon the earlier of the Expiration Date or a date which is one (1) year after the date of your retirement. 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. 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 (without limitation) 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, and (without limitation) any Termination of Service other than for Cause which is initiated by your Employer and which falls within any of the circumstances listed in section 524(2B) of the UK Income Tax (Earnings and Pensions) Act 2003.

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 (including, without limitation, by reason of redundancy (within the meaning of the Employment Rights Act 1996 or the Employment Rights (Northern Ireland) Order 1996), a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 or the company with which you hold office or employment ceasing to be controlled by the Company), 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.

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 employment 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 employment 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 personal representative(s), (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 the Option that are required to be withheld ("Tax-Related Items"), as set forth in Section 10 below. Alternatively, the Committee may allow for 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 are then delivered by the third party to you.

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 in accordance with the UK Sub-Plan cause to be issued and delivered to you (or in the event of your death to your personal representative(s), 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.

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, if your notice to exercise your Option is not accompanied by a sufficient amount to cover the Tax-Related Items arising on exercise and you do not otherwise provide the Company or your Employer with a sufficient amount to cover the Tax-Related Items before they arise, 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; or (ii) withholding from proceeds of the sale of sufficient 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). For purposes of the foregoing, no fractional shares of Stock will be 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.

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, dispose of, encumber or hypothecate this Option, whether voluntarily or involuntarily or by operation of law. During your lifetime, this Option and all rights granted hereunder shall be exercisable only by you. After your death, this Option may only be exercised by your personal representative(s) in accordance with Section 4 of this Agreement.

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 regulatory 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 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. This Option may be adjusted by the Committee in accordance with Rule 4.2 of the UK Sub-Plan.

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) you do not have any entitlement to have the Option cashed out and, unless otherwise provided herein, in the Plan or by the Company in its discretion in accordance with the Plan, 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, 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 which applies in respect of this Option and any shares you acquire pursuant to this Option, 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. If there is any conflict between the terms of the UK Sub-Plan and the US Plan, the terms of the UK Sub-Plan shall take precedence.

This Option and any shares you acquire pursuant to this Option shall be subject to the terms and conditions of any recoupment policy adopted by the Company in effect at the time of grant of this Option as amended from time to time as required by law or any regulatory body, or any other recoupment policy adopted by the Company from time to time as may be required by law or any regulatory body.

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. Amendment or Modification, Waiver. Except as set forth in the Plan, no provision of this Agreement may be amended or waived. 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.

25. 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.

26. 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.

27. 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.

28. 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.

29. 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, 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, 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 any 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 such 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") may 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, which the Company and/or the Employer may recover from you by any of the means set forth in Section 10 of the Agreement.

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

7th October 2015

PRIVATE & CONFIDENTIAL

George Fairweather

Dear George,

Your Corporate Travel & Expense support for Walgreens Boots Alliance, Inc.

This letter is to confirm the terms which will apply to you as you travel between the United Kingdom and the United States in your role as Executive Vice President and Global Chief Financial Officer for Walgreens Boots Alliance, Inc. (WBA). This support is directly related to all business travel and does not constitute an assignment or secondment. The support consists of tax support and equalization and may also include allowances and reimbursements consistent with the WBA business travel guidelines and is calculated using the same standards and basis for global assignments.

1. Duration of and terms applicable to this co-location support

- (a) As a Section 16 Officer for WBA, the start and continuation of the co-location support is contingent upon approval of the WBA Board of Directors Compensation Committee.
- (b) The support will be retroactively applied from 1 January, 2015, and will continue as long as you are employed in this role, or until it is no longer approved by the Company.

2. Tax and social security

- (a) WBA will “Tax Equalise” you on your travel and accommodation expenses incurred which are necessary in undertaking duties of your global employment.
WBA will calculate the UK tax and National Insurance contributions, which would be due in respect of the Tax Equalised Amounts if you were working in the UK (your “UK Hypothetical Tax”).

The Tax Equalised Amounts will be increased or decreased such that, after deduction of any UK and US income tax and social security contributions which actually apply to the Tax Equalised Amounts, the sums due to you will be equal to the sums which would have been due if UK Hypothetical Tax had been deducted instead. (**Please note that Tax Equalisation will not take account of the impact of your travel on your personal investments .**)

- (b) You will be provided a tax consultant (see section d, below). However, it is your responsibility to comply with UK and US tax laws and to ensure that your tax returns are properly submitted within the relevant deadlines. It is also your responsibility to promptly recover any overpayment of tax or social security contributions made to any relevant authority for the benefit of WBA and to pay over any such sums recovered to WBA promptly.



- (c) You are eligible to receive tax advice annually at WBA's expense, from tax advisers nominated by WBA from time to time (and subject to such financial and/or other conditions as WBA may from time to time impose) in respect of both UK and US tax returns relating to this program. Such advice will be provided in relation to remuneration from your employment only. WBA will not pay for additional tax planning advice, for example in relation to personal investments. Any penalties or interest charges incurred because you fail to provide information or documentation requested by the nominated tax adviser promptly will be your responsibility. WBA will not reimburse you in respect of any such costs.
- (d) If your employment terminates on resignation the cost of any subsequent advice provided to you in respect of tax return preparation may be your responsibility and no reimbursement will be made by WBA. If this agreement results in a repayment of UK taxes, WBA advisers will calculate the split between the amount due to you and the portion payable to WBA. WBA reserves the right to make deductions in accordance with paragraph 4 in this regard.

3. Deductions

By signing this agreement you authorise WBA to deduct from your remuneration or other sums owed to you by WBA (whether during or after termination of your employment) all sum(s) due from you to WBA, without prejudice to Company's other rights and remedies.

4. Business expenses

You will be reimbursed in respect of expenses incurred wholly and necessarily in the proper performance of your duties in accordance with WBA's policy from time to time. Your expenses will be reimbursed by WBA on behalf of WBA in monthly in arrears, provided that you have supplied evidence satisfactory to WBA that the expenditure has been properly incurred in good time.

Please would you sign, date and return to me the duplicate copy of this letter to confirm that you have read, understand and agree to its contents. The additional copy is for you to keep.

Yours sincerely,

/s/ Thomas Sondergeld

Thomas Sondergeld
Vice President Global Benefits & Mobility
Walgreens Boots Alliance, Inc.

I confirm that I have read, understand and agree to be bound by the contents of this support agreement.

George Fairweather

/s/ George Fairweather
Signed

28 October 2015
Date signed



Walgreens Boots Alliance

1st July 2015

PRIVATE & CONFIDENTIAL

Marco Pagni

Dear Marco,

Your Corporate Travel & Expense support for Walgreens Boots Alliance, Inc.

This letter is to confirm the terms which will apply to you as you travel between the United Kingdom and the United States in your role as Executive Vice President and Global Chief Legal and Administrative Officer for Walgreens Boots Alliance, Inc. (WBA). This support is directly related to all business travel and does not constitute an assignment or secondment. The support consists of allowances and reimbursements consistent with the WBA business travel guidelines and is calculated using the same standards and basis for global assignments.

Duration of and terms applicable to this support

- (a) As a Section 16 Officer for WBA, the start and continuation of the corporate travel support is contingent upon approval of the WBA Board of Directors Compensation Committee.
- (b) The support will begin on or near July 1, 2015 and continue as long as you are employed in this role, or until it is no longer approved by the WBA Board of Directors Compensation Committee, or until either party determines the support is no longer required.

Allowances and Reimbursements

- (a) All allowances are supplied in Appendix 1. They are described as:
 - i) **U.S. Housing and Utilities:** WBA will provide housing and utilities consistent with the travel and expense policy via a corporate housing solution. The amount of the expense will be consistent with calculations used under the global mobility policy based on your annual salary, the location and your family size.
 - ii) **Furniture Purchase :** A one-time reimbursement for furniture will be provided, if required, and will be consistent with calculations used under the global mobility policy based on your annual salary, the location and your family size.
 - iii) **Destination Services and Support:** Services in the U.S. to locate a suitable accommodation as well as support in setting up the location will be provided through Brookfield location services U.S.
 - iv) **Spousal Support and Training :** Spousal support for language and cultural training as well as job-finding services, if required, will be supplied.

Tax and social security

- (a) WBA will “Tax Equalise” your benefits as and if necessary. WBA will calculate the UK tax and National Insurance contributions, which would be due in respect of the Tax Equalised Amounts if you were working in the UK (your “UK Hypothetical Tax”).

The Tax Equalised Amounts will be increased or decreased such that, after deduction of any UK and US income tax and social security contributions which actually apply to the Tax Equalised Amounts, the sums due to you will be equal to the sums which would have been due if UK Hypothetical Tax had been deducted instead. (**Please note that Tax Equalisation will not take account of the impact of your travel on your personal investments .**)

- (b) You will be provided a tax consultant (see section d, below). However, it is your responsibility to comply with UK and US tax laws and to ensure that your tax returns are properly submitted within the relevant deadlines. It is also your responsibility to promptly recover any overpayment of tax or social security contributions made to any relevant authority for the benefit of WBA and to pay over any such sums recovered to WBA promptly.
- (c) If any overpayment is made to you by WBA as a result of Tax Equalisation, WBA reserves the right to recover all or part of any sum(s) overpaid from you by making deductions in accordance with paragraph 8, and without prejudice to WBA’s other rights and remedies.
- (d) You are eligible to receive tax advice annually at WBA’s expense, from tax advisers nominated by WBA from time to time (and subject to such financial and/or other conditions as WBA may from time to time impose) in respect of both UK and US tax returns relating to the periods covered by this agreement. Such advice will be provided in relation to remuneration from your employment only. WBA will not pay for additional tax planning advice, for example in relation to personal investments.

Any penalties or interest charges incurred because you fail to provide information or documentation requested by the nominated tax adviser promptly will be your responsibility. WBA will not reimburse you in respect of any such costs.

- (e) If your employment terminates on resignation the cost of any subsequent advice provided to you in respect of tax return preparation may be your responsibility and no reimbursement will be made by WBA. If this agreement results in a repayment of UK taxes, WBA advisers will calculate the split between the amount due to you and the portion payable to WBA. WBA reserves the right to make deductions in accordance with paragraph 8 in this regard.

EVERY DAY WE HELP PEOPLE GET, STAY AND LIVE WELL.

Deductions

By signing this agreement you authorise WBA to deduct from your remuneration or other sums owed to you by WBA (whether during or after termination of your employment) all sum(s) due from you to WBA, without prejudice to Company's other rights and remedies.

Business expenses

You will be reimbursed in respect of expenses incurred wholly and necessarily in the proper performance of your duties in accordance with WBA's policy from time to time. Your expenses will be reimbursed by WBA on behalf of WBA monthly in arrears, provided that you have supplied evidence satisfactory to WBA that the expenditure has been properly incurred in good time.

Car Allowance

A car allowance has been included in the support calculation. This will continue during your support period. See Appendix 1.

Visas and Permits

WBA will, at its expense, where appropriate apply for (and where appropriate assist you to obtain) any necessary work, residential and other permits or visas required for both you and your dependents for the duration of your travel and work in the U.S. (and WBA will reimburse you for any reasonable costs incurred in obtaining such permits or visas). You are required to assist WBA in this regard.

Accommodation

- (a) WBA will meet the cost of suitable furnished accommodation (inclusive of utility costs) for you and your dependents in the US, subject to approval and consistent with all WBA travel and expense guidelines. See Appendix 1.

If additional costs are incurred which are identified by the landlord (or its agent) as being a result of dilapidations these costs must be promptly paid for by you and will not be reimbursed by WBA.

- (b) You will be responsible for all other costs incurred in respect of your accommodation (eg local taxes, insurance of household contents and your personal belongings, and maintenance costs).
- (c) The assistance of a relocation agent will be provided to help locate a suitable property, and to provide you and your dependents with local information

EVERY DAY WE HELP PEOPLE GET, STAY AND LIVE WELL.

Miscellaneous

- (a) This letter and your Contract of Employment together record the whole Agreement between you and WBA in respect to this agreement and supersede any prior agreements in this regard.
- (b) This letter shall be governed and construed in all respects by English law and you and WBA irrevocably submit to the non-exclusive jurisdiction of the Courts of England.
- (c) A person, firm, company or corporation who or which is not a party to this agreement (including your partner) shall have no right to enforce any term of this agreement.

Please would you sign, date and return to me the duplicate copy of this letter to confirm that you have read, understand and agree to its contents. The additional copy is for you to keep.

Yours sincerely

/s/ Thomas Sondergeld

Thomas Sondergeld

I confirm that I have read, understand and agree to be bound by the contents of this corporate travel & expense support agreement.

Marco Pagni

Signed /s/ Marco Pagni

28 October 2015

Date signed

EVERY DAY WE HELP PEOPLE GET, STAY AND LIVE WELL.



Walgreens Boots Alliance



Walgreens Boots Alliance Long-Term Global Assignment

Relocation Policy

Effective January 1, 2013
And amended April 1, 2015

Table of Contents

	<u>Page</u>
Introduction	1
Executive Summary	2
Eligibility	4
Orientation	4
Pre-Assignment Consultation	5
Immigration and Travel Documents	5
Immunizations and Physical Examinations	5
Review of Terms and Conditions of Assignment	6
Tax Briefing	6
Cultural Orientation Program	6
Language Instruction	7
Mentor Program	7
Dependents	7
Domestic Partner Relationship	7
Spouse/Partner is also an Assignee	7
Family Size Changes	8
Pre-Assignment Trip	8
Homefinding Trip	8
Assignment Compensation and Allowances	8
Salary	9
Incentive Programs and Awards	9
Goods and Services Allowance	9
Host Location Housing and Utilities Allowance	10
Major Appliances	11
Tax Assistance	11
Tax Return Preparation	12
Mobility Premium	13
Hardship Premium	13
Repayment Agreement	13
Relocation Expenses Allowance	13
Home Location Housing	14
Homeowner	14
Homesale	14
Retaining Your Home	15
Renter	15
Costs of Moving to Host Location	15
Shipment of Household Goods	16
Temporary Living	16
Furniture Allowance	16
Insurance	17
Household Pets	17
Automobiles	17
Vehicle Lease Cancellation	18
Host Country Transportation	18
Educational Assistance Allowance	19
Primary and Secondary Education	19
Pre-School	19
Tertiary Education	19

Spousal/Partner Career Assistance	19
Effect on Other Compensation and Benefits Plans	19
Destination Services	20
Health and Welfare Benefits	20
Medical Insurance	20
Employee Assistance Program ("EAP")	20
Additional Insurance	21
Leave and Time-Off Benefits	21
Settling-in Time	21
Working Schedule and Public Holidays	21
Home Leave	21
Family Visitation	22
Emergency Leave	22
Evacuation and Safety	22
End of the Assignment	23
Repatriation Process	23
Repayment Agreement	23
Position Within WBA: Post-Assignment	23
Lease Termination	23
Cultural Re-integration Assistance	24
Return Shipment of Household Goods	24
Furniture Allowance	24
Return Travel Expenses	25
Spousal/Partner Career Assistance	25
Rental Home Finding Assistance	25
Medical Examinations	25
Relocation Expenses Allowance	25
Sequential Assignments	25
Conversion to the Permanent International Transfer Policy	25
Termination	26
Involuntary Termination	26
Voluntary Termination	26
Retirement	27
Death on Assignment	27
Automobiles	27
Tax Consequences of Remaining in the Host Country	27
Appendix A - Terminology	28
Appendix B - Shipment and Storage Exclusions	30

INTRODUCTION

As we expand our business to be the premier global pharmacy-led, health and well-being enterprise, we will be asking some of our team members to live and work on assignment in a "host country," other than their "home country" in a cross-continental relocation. We have designed this policy to make the assignment experience reasonable for you and your family, understanding that taking on a global assignment can be disruptive to your work and family life. Our intent is to provide you with assistance throughout the assignment process, including the return to your home country, and to provide compensation and benefits to you so that you will incur neither a financial loss nor gain as a result of the assignment.

A separate document ("WBA Relocation Process") outlines the selection and management of talent prior to and during assignment. It is important that Talent Acquisition be involved in the talent selection process to insure the best talent is chosen for assignment in advance. It is also key that appropriate talent management processes are followed during an assignment and that alignment with the home country business is maintained.

Another key consideration are the requirements around obtaining a visa and following the immigration requirements while considering and preparing for the assignment. To that end, the "Immigration FAQ" document has been provided and should be fully understood prior to agreeing to an assignment.

This document explains the global assignment policy for team members of Walgreens Boots Alliance and any of its entities ("WBA") and the associated benefits. All allowances and costs are shown in \$US and will be adjusted to the correct host country currency as required. This policy applies only when the global, cross-continental assignment is being undertaken at the request of WBA (or one of the entities) and is for a period of more than one year and less than five years. Assignments of less than twelve months ("Short-Term" assignments) and permanent international transfers are covered under separate policies. While assignments are normally 2 to 3 years in length, if you remain in the host country after the fifth anniversary following the effective date of employment at the new work location, you will be expected to convert to the Permanent Transfer Policy.

We would like to make transitioning to your host country location a good experience for you and your family. Therefore, reasonable and necessary expenses that might be incurred in your move have been addressed. It is our shared responsibility to communicate openly and honestly and to cooperate with one another to ensure the highest level of motivation, morale, and productivity during the relocation process. Exceptions to this policy beyond an aggregate \$25,000US in cost must be approved by the Global Chief Human Resource Officer and Global Chief Financial Officer. Exceptions that total under \$25,000 must be approved by the Vice President of Global Benefits & Mobility.

The statements contained in this policy do not create or constitute a contract, or an implied contract of employment or any other kind of binding agreement between WBA and any team member. In addition, nothing in this policy constitutes a contract or guarantee of indefinite employment. Employment at WBA and any of its entities is at will, for no definite term, and is subject to WBA policies, which can be changed from time to time. As business practices and company needs change, the policies are subject to revision and may be modified or discontinued at WBAs discretion.

This policy is administered by the Global Vice President, Total Rewards and the Global Benefits Governance Committee. WBA reserves the right to change this policy at any time or to amend it, without notice or obligation to anyone. Any intentional misrepresentation on the part of a team member who is using this policy will automatically terminate all benefits and WBA has a right to recover any and all expenditures made or intended for that team member.

YOU WILL BE RESPONSIBLE FOR ANY EXPENSE YOU INCUR OUTSIDE THIS POLICY, UNLESS APPROVED IN WRITING BY THE VICE PRESIDENT OF GLOBAL BENEFITS & MOBILITY.

EXECUTIVE SUMMARY

In summary, the following benefits will be provided to you as part of a long-term global assignment:

Initiation Orientation	Upon initiation on a global assignment, you will receive assistance from: (1) a global assignment counsellor; and (2) a tax consultant. Assistance will be provided once you complete all necessary paperwork. WBA and the sponsoring entity will pay for the cost of these services, directly to the vendor.
Immigration	WBA and the sponsoring entity will assist you to obtain the appropriate and required authority to work in the host country. Please be aware that jurisdictional administrative processes may influence the formal date for initiation of the assignment.
Cultural Orientation	Through a WBA designated service provider, you and your dependents will participate in cultural orientation and language instruction programs to understand local customs and culture associated with the host country.
Pre-Assignment Trip	WBA and the sponsoring entity will provide one trip to the host country for you and your spouse/partner to assess housing and education options prior to beginning the assignment. This may be combined with the Homefinding Trip, below. Totaling two visits as part of pre-relocation support.
Homefinding Trip	WBA and the sponsoring entity will provide one trip to the host country for you and your spouse/partner to procure host country housing and schooling. This may be combined with the Pre-Assignment Trip, above. Totaling two visits as part of pre-relocation support.
Base Salary	Your base salary will remain the same as it was in the home country and you will be eligible for annual merit increases just as you were in the home country. Salary will continue to be paid in home country currency and through home country payroll.
Incentive Bonus	Bonus eligibility and program will be the same as in the home country.
Equity Awards	You will receive equity awards under the same programs as you were in the home country, unless there are adverse tax consequences for receiving stock awards in the host country. If this occurs, a suitable financial equivalent will be awarded.
Cost of Living Allowance (COLA)	You may receive a monthly COLA based on the difference between the costs of goods and services in the home country versus the host country. This will be added to your normal paycheck and will be grossed-up to cover the additional tax liability.
Host Country Housing and Utilities Allowance	You may receive a housing and utilities allowance based on the housing arrangement in the host country, accounting for the difference in housing cost between the home and host countries. This allowance will be grossed-up to cover the additional tax liability.
Major Appliances	You may receive reimbursement of up to \$10,000 USD to pay for the cost of major appliances needed in the host location and will be grossed-up to cover the additional tax liability.
Tax Assistance	WBA and the sponsoring entity will assign a tax consultant to help you with the tax implications of a global assignment. This includes preparing annual federal and state tax returns for both the home and host countries for every year you are on assignment. In addition, we will pay the additional tax liability associated with the global assignment, incremental to what you would have paid in the home country on your work related income received.
Disturbance Allowance	WBA and the sponsoring entity will provide an allowance of 5% of pay –up to \$10,000 (wage and destination based) USD to pay for expenses you will incur for moving to the host country and to cover personal miscellaneous items not already covered by the program. This allowance will be remitted in a lump-sum, both upon initiation and then again upon completion of your assignment at repatriation, and will be grossed-up to cover the additional tax liability.

Home Location Housing	WBA and the sponsoring entity will provide assistance with home property management, or rental property lease cancelation based on your home country residence status and length of assignment.
Shipment of Household Goods	WBA and the sponsoring entity will provide surface shipment for your household goods at both the beginning of the assignment and then again upon completion of the assignment if the host country home does not come furnished and/or leasing furniture in this host country is prohibitive
Furniture Allowance	If furnished host location housing is unavailable, you may be eligible to receive a furniture allowance to rent furniture in the host location in lieu of the surface shipment of your household goods.
Transportation	WBA and the sponsoring entity assumes you will dispose of your personal automobile(s) at both the beginning and end of the assignment. Lease cancellation assistance may be provided if applicable. While on assignment, you may receive a monthly transportation allowance to assist with the cost of leasing, gas, maintenance, etc., based on the difference between home and host countries. This will be added to your normal paycheck and will be grossed-up to cover the additional tax liability.
Dependent Education	Education of accompanying children is an important part of the relocation process. To that end, WBA and the sponsoring entity will provide you with assistance in locating appropriate schooling for your minor dependents attending the equivalent of kindergarten through to the last year of secondary school. Although it is encouraged to use public schools in the host location we recognize that there will be situations where private education is the most viable option. In these circumstances we will pay the tuition at a reasonably-priced private school.
Spousal Assistance	WBA and the sponsoring entity will provide a reimbursement of up to \$5,000 USD or 100 hours to further your spouse/partner's personal development, seek employment or secure work permits in the host country and upon returning to the home country. This allowance will be grossed-up to cover the additional tax liability.
Destination Services	WBA and the sponsoring entity will provide destination services to assist you with settling into the host country environment and complying with local requirements.
Healthcare Benefits	We will arrange for separate coverage through our global insurance arrangement at no cost to you and your family located with you.
Paid Time Off	You will have five paid days off to settle into host country housing. Annual paid time off will be in accordance with WBA's policies and procedures in the home country. Public holidays will be subject to host country practice.
Home Leave	Assignees and accompanying dependents are eligible for two annual home leave trips to travel to the home country by a calculated allowance or direct reimbursement. This allowance will be calculated based upon WBA and the sponsoring entity's travel policy. Absence from work during this leave is to be counted as paid time off.
Family Visitation Allowance	Your spouse/partner and/or minor children will be provided with a reimbursement allowance to cover two trips to the host country per year, in accordance with WBA and the sponsoring entity's travel policy, who do not relocate to the host country with you. The allowance may also be used to cover visitation to the host country from family members. The allowance is not paid out if it is not fully used.
Repatriation	When the global assignment ends, WBA and the sponsoring entity will assist with the transition back to the home country or to a new global assignment. This includes return travel, continued tax assistance, relocation allowance, and air shipment of personal belongings.

ELIGIBILITY

This policy applies to permanent members (based on immigration requirements) who are transferred from their home country to another cross-continent country at the request of WBA or one of its entities and are expected to remain in the host country from one to five years. Any other type of assignment is covered under separate policies.

Where citizens or nationals of one country are hired by a WBA in another country, the country where the team member is hired/currently working is considered the home country for purposes of this policy. Also, you are not eligible for this policy if you are a:

- Team member who voluntarily requests a transfer, and/or
- Team member with a recent performance rating below 3.0 ("Achieves Expectations") or equivalent in your area

All global assignments must be approved by supporting Vice Presidents from both the Home and Host countries before any offer or commitment concerning a global assignment is made. All global assignments must be reported to the Vice President of Global Benefits & Mobility for WBA. All assignments and assignment letters for Senior Vice President or above roles (Officer roles) must be approved by the Vice President Global Benefits & Mobility as well as the Vice President of Executive Compensation. Applications for exception will be heard by the Global Chief Human Resources Officer.

The selection process will be a key part of the process in insuring the right talent is selected for any cross-continental assignment. Components of the selection process will be outlined in the Global Mobility Process document.

Please Note: Eligibility for assignment is subject to medical clearances, foreign government entry documents or visas, and the acceptance of the terms and conditions outlined in your Letter of Assignment (see section entitled "Review of Terms and Conditions of Assignment").

With respect to the relocation benefits described herein, only one team member per household is eligible for relocation benefits, even if another member of your household is employed by WBA. Relocation benefits will only be authorized for one team member.

Orientation

Accepting a global assignment may be one of the most important decisions you make during your career at WBA. WBA will provide assistance with all aspects of this decision and transition.

An important part of your global assignment will be the process for you and your family to move to/from the host country. WBA has selected global vendors such as Brookfield Global Relocation Services ("Brookfield") and Ernst & Young ("EY") to provide quality services associated with the assignment.

The relocation process will begin with the designation of a global assignment counselor. Your global assignment counselor is an individual, from Brookfield, who is accountable for assisting you with all the details associated with living and working in the host country. Your global assignment counsellor will contact you within 24 business hours of initiating your global assignment.

Throughout this process, Brookfield will act as WBA's agent. Therefore, it is critical that you provide to WBA any feedback concerning your experience with this vendor to assess and continue to provide high service levels.

Pre-Assignment Consultation

You and your spouse/partner (when applicable) will receive an introductory briefing from our designated global assignment counsellor. This orientation is designed to ensure you have a full understanding of WBA's policy, the support that will be offered, as well as an opportunity to discuss any unique circumstances that may exist which require special handling.

IMPORTANT: You should not take any action toward the assignment, including, but not limited to, booking travel, reserving accommodations, shipping goods, etc., until after this consultation has taken place.

Immigration and Travel Documents

A valid passport is required to apply for a business visa or work permit in the host country. The nature of your assignment, as well as the length of the assignment, determines the type of visa that may be required. Some countries require work permits, which can delay entry for noncitizens.

Immigration can be a lengthy process. WBA will coordinate arrangements with an immigration legal representative who will work with you and your family to secure the appropriate immigration documentation for your assignment. Eligibility for a long-term assignment is contingent upon the team member's successful compliance with passport and/or entry visa and work permit requirements in the host country. In some host countries it is a criminal offense to have an unauthorized worker in country without the necessary documentation.

IMPORTANT: You are not permitted to move to the host country and begin the assignment until you have obtained all necessary visas and work permits. Should the host country border agents refuse to grant leave to enter/remain in line with your visa application, then WBA will have no choice but to withdraw its offer of assignment. Please be aware that jurisdictional administrative processes may influence the formal date for initiation of the assignment.

Your accompanying spouse/partner and dependents also will receive assistance from WBA in order to obtain the appropriate documentation. You will be compensated for any directly related fees for obtaining the passports, work and/or residence permits, and visa documents.

Immunizations and Physical Examinations

The availability of medical care in the host country may differ from the medical facilities available in the home country, and you may also be subject to considerable differences in climatic and living conditions. Any medical issues that may be associated with the assignment should be addressed in advance. Therefore, you are strongly encouraged to undergo a medical consultation and/or examination before the assignment. This will afford you an opportunity to be informed of necessary precautions and receive any recommended immunizations/inoculations. You may incur expenses (if not covered by insurance) for legally required examinations and immunizations/inoculations for you and your family. We will coordinate the payment and delivery of these services.

Review of Terms and Conditions of Assignment

Prior to accepting a global assignment, you will be provided with the following information to become familiar with WBA mobility policies and compensation programs:

1. **Global Assignment Policy** outlining general information and specific details of how WBA will support you on assignment. Affirmation that this policy has been read will be included in your assignment letter.
2. **Letter of Assignment** outlining specific job responsibilities and explaining the method of compensation. You must return a signed copy of the WBA Letter of Assignment, acknowledging that you understand and agree with terms and conditions of the assignment.
3. **Repayment Agreement outlining the terms and conditions if you voluntarily or involuntarily leave the company while on assignment and upon repatriation.**
4. **Assignment Initiation Packet** from Brookfield Relocation Services.

Tax Briefing

You also should be familiar with WBA's tax assistance program and how it applies to you. Expenses such as housing, the cost of goods and services, and host country income taxes may be "tax assisted." This is based on the principle that should only be taxed at a level equivalent to the tax you would pay in your home country on your home country 'stay-at-home' package, i.e. additional assignment specific allowances / benefits will not be factored into this calculation. . This is often termed as "tax equalization".

WBA will arrange for you to meet with an international tax consultant to review the tax assistance program and to discuss tax-effective planning in relation to your global assignment and your related WBA compensation. Personal taxation issues and planning are not included in this service. Although the impact of tax assistance on your personal income will be covered, please note that this meeting will not be a financial planning session.

The briefing will review the pre-assignment tax status and tax reporting arrangements in the home country, as well as the tax regulations and reporting requirements in the home and host country during the assignment. You will also be briefed on the company's procedures for tax payments.

Cultural Orientation Program

To help you better understand local customs and policies associated with the assignment location, if available, you and your family will be eligible to attend a cultural orientation program. You and accompanying family members will participate in cultural training through a WBA's designated service provider, Brookfield Relocation Services. A specialist will conduct a needs analysis and work with you to tailor the level of training to your needs.

The types of assistance that may be provided include an introduction and understanding of:

- The country, its politics, and its history
- The cultures, customs, and etiquette of the country
- The impact of the culture's customs and values on work and social life
- Preparing to work with new colleagues in the host location
- How to adapt and deal with cultural differences

Language Instruction

Considering the importance of local language competence in attaining desired business results, language instruction may be necessary as part of your assignment. WBA encourages starting instruction prior to the assignment to assist with the settling-in process. Based on the location, length, and objective of the assignment, WBA will identify the language training best suited for you to make the transition to the host country.

Language instruction will be provided to you and your accompanying spouse by a WBA-designated vendor. As stated above, the length of the training will vary depending upon the location, length, and objective of the assignment and may be for up to 100 hours in total for you and your spouse. Additional hours of instruction are available at your own expense.

Dependents

For purposes of determining eligibility for the relocation provisions of this policy, and for such expatriate benefits as home leave, host country services, etc., a dependent is (unless otherwise defined):

- Spouse/domestic partner
- Unmarried children under age 21 for whom the expatriate has legal custody or guardianship and who are dependent upon the expatriate for financial support (or, if full-time undergraduate students, under age 26 (U.S.) or as appropriate in the home country), including:
 - o Legally adopted children or children in the process of legal adoption and who are living with the team member;
 - o Disabled family members dependent on you;
 - o Children from a former marriage;
 - o Stepchildren living with you.

Domestic Partner Relationship

A domestic partner as defined in WBA's benefits policy may accompany you only when the domestic partner relationship is not in conflict with immigration or other regulations in the host country.

Spouse/Partner is also an Assignee

If both you and your spouse/partner are on global assignments for WBA in the same location, your spouse/partner's assignment-related benefits will be adjusted to ensure your spouse/partner does not receive duplicate benefits.

Family Size Changes

If your family size changes during the assignment (either an increase due to marriage, birth or adoption, or a decrease due to divorce/separation, or a child ceasing to be a dependent or ceasing to reside at the host country with you), all benefits calculated on family size will be updated accordingly. Global Mobility will need to be notified within 10 days of such a change.

In the event of a family death while on assignment we will provide you with support and the time you need to address the loss in line with your home country bereavement policy. If it results in an early termination of your assignment, we will remove any liability you may have as a result of that decision.

If you marry during an assignment, or you acquire other new dependent(s) (by birth or adoption, for example), your new dependents will receive, at WBA discretion, transportation to the host location and additional shipment of goods.

Pre-Assignment Trip

To help you assess housing alternatives, WBA will provide one trip to the host country for you and your spouse/partner to visit the host location and begin the process of home search and, if applicable, school selection for children. The trip should not exceed five days, excluding transit time.

You will be reimbursed for expenses (including airfare, lodging, transportation, and meals) in accordance with WBA's business travel policy. Dependent children, and/or other family members may accompany you on this trip, and you may utilize company travel resources to book the itinerary. However, you must reimburse the company for the airfare cost only of the dependents and/or other family members. Reasonable daycare in home country for dependent children will be reimbursed. Daycare provided by family members will not be reimbursed.

Homefinding Trip

WBA will provide one trip to the host country for you and your spouse/partner to visit the host location to procure host location housing and, if applicable, final school selection for children. The trip should not exceed five days, excluding transit time.

You will be reimbursed for expenses (including airfare, lodging, transportation, and meals) in accordance with WBA's business travel policy. Dependent children, and/or other family members may accompany you on this trip, and you may utilize company travel resources to book the itinerary. However, you must reimburse the company for the airfare cost only of the dependents and/or other family members. Reasonable daycare in home country for dependent children will be reimbursed. Daycare provided by family members will not be reimbursed.

ASSIGNMENT COMPENSATION AND ALLOWANCES

WBA uses a "balance sheet" approach in the form of a cost projection to ensure that you do not substantially gain or lose purchasing power as a result of the international assignment. Under this approach, your compensation and living expenses are calculated using a statistical norm, which compares a comprehensive "market basket" at your home country work location to the host country work location.

Expenses such as housing, the cost of goods and services, and income taxes are normalized to ensure that, in principle, your out-of-pocket net income is approximately the same amount had you remained in the home country.

This methodology helps to ensure you are not financially disadvantaged due to the change in living costs you may experience in the host country. To achieve this, WBA protects your home country salary against host country living costs through adjustments, allowances, and expense reimbursement provisions.

WBA reserves the right to deliver various elements of global assignment compensation, adjustments, and/or reimbursements in the most tax efficient manner, pursuant to the laws and regulations of each country. Where the global assignment policy and other WBA-provided benefits have inconsistent applications, the assignment policy and local law will determine the final benefit provided to you.

All benefits are provided for you as stated throughout this policy and as detailed in the Letter of Assignment, unless a conflict with host country laws and/or practices requires WBA to alter such benefit accordingly.

Salary

Your base salary is determined according to the home country compensation policies and guidelines and denominated in the home country currency. It is therefore expected that while on assignment, your base salary will not change other than for typical merit and promotional increases. There should not be an immediate expectation that this assignment qualifies you for a promotion or salary increase. Your eligibility for these types of recognition remains subject to the standard company processes and practices. Merit and promotional increases for expatriate team members are reviewed and awarded according to normal home country practice for all team members and will be based on the performance of agreed upon goals with the host country assignment.

Incentive Programs and Awards

Eligibility requirements and procedures for the various incentive programs will be the same as for other home country team members and you will be rated on your performance based on the duties in the host country. In addition, you will continue to be eligible for equity awards, where legally acceptable. In certain countries, tax laws may prohibit you from exercising your stock options in a regular manner. While on a global assignment, you are expected to contact your WBA's appointed tax advisor a minimum of two weeks before you exercise any stock options to determine the consequences of exercising options while in the host country.

Cost of Living Allowance (COLA)

A Cost of Living Allowance (COLA) may be provided to ensure that you have the equivalent purchasing power of goods and services in the host country as in the home country. This allowance covers the differences in all living costs except housing, automobile, taxes, and education, which are addressed separately in this policy up to a salary amount of \$250,000 US. Eligibility for the COLA begins the day you move into permanent living quarters in the assignment location. Payment of the allowance will cease when you vacate your host country residence to assume a new global or domestic assignment.

WBA's designated service provider will determine the data necessary to calculate the difference in the cost of a comparable market basket of goods and services between the home and host locations. You are responsible for the portion of costs that would have been used to purchase those goods and services in the home country. WBA will then provide an adjustment/allowance which represents the difference for goods and services between the host location and the home location, and is remitted to you on a monthly basis. The provider continuously monitors exchange rates and issues regular COLA updates to WBA. The host country allowance will be reviewed every six (6) months and upon changes in your home country base salary. The allowance will be adjusted, either upward or downward, to reflect changes in the economic tables. In addition, the host country adjustment is reviewed when any of the following events occur:

- Change in base salary
- Change in tax tables
- Unusual economic circumstances
- Change in number of dependents in the host country

Differentials between home and host countries will vary by salary, family size, and work location. Therefore, it is unlikely that team members in the same assignment location will receive identical COLA.

Host Location Housing and Utilities Allowance

A host location housing allowance is calculated to offset the differential between housing and utilities costs in the home and host locations. The allowance is calculated by our service provider for consistency after obtaining validated information on the home country costs. The allowance is designed to help you with the expense of housing and utilities in the host country that would be reasonably expected for a person with your base salary level and family size. It is not the intent of the company to replicate home country housing, or a particular standard or lifestyle. A housing norm may be deducted from the Balance Sheet when your home country home is leased or sold (not encouraged) or when you break your home country lease. This is used to offset any advantage that might be there by not having home country home costs.

The allowance reflects standard housing and utilities costs in the assignment location. Local real estate professionals identify appropriate living communities for expatriates based on safety and convenience. Housing differentials based on salary and family size are established by a WBA designated data provider from actual cost surveys in these communities. The provider updates housing adjustments regularly to accommodate changes in market prices.

If you choose to exceed the housing guideline and/or allowance provided to you, the excess spending is your responsibility. Alternatively, if you do not spend the entire amount of the housing allowance as set by the provider research, the difference is yours to retain.

In certain countries it is more tax effective for WBA to pay housing costs directly to the landlord than it may be to provide a housing adjustment to you. In those cases, the lease will be in WBA's name and WBA will pay the rent directly to the landlord. This provision will be offset by the cost of housing in the home country that a person of your income and family size would be reasonably expected to spend.

WBA will pay the cost of any required finder's fees, tax stamps, and security deposit, as well as any other normal and reasonable costs related to the lease agreement. WBA also will pay for residence insurance and for specific maintenance charges included in the monthly lease fee agreement. Prior to signing any lease, you must contact your global assignment counselor. To the extent there are incremental costs due to your choice of a home that exceeds the guidelines and/or allowance, WBA will expect you to cover the incremental costs from your personal income except as described in the Tax Section of this policy.

The housing allowance is reviewed from time to time, or in conjunction with the renewal of your lease. This adjustment will be adjusted either upward or downward to reflect changes in the economic tables.

If you consider moving host country residences, please see Lease Termination located under Repatriation Process included in this policy.

Due to the legal, tax, and currency fluctuation implications, you are discouraged from a new home purchase in the host country. If at any time during your global assignment you decide to purchase a home in a foreign location, WBA will not provide you with a secondary housing and utilities adjustment or financial assistance of any kind for this purchase. You will be fully responsible for any adverse tax implication you may experience as a result of purchasing a home in a foreign location.

Major Appliances

WBA will reimburse up to a maximum of \$10,000 USD, to be submitted on an expense report with related receipts in the host location, for the purchase of the following major appliances when such appliances are not provided in rental accommodations in the host location and shipping from the home location is not appropriate:

- Cooking Range
- Washer
- Dryer
- Microwave
- Television
- Refrigerator
- Freezer
- Dishwasher

Major appliances are defined as appliances that require installation. Any other appliances are considered "small" and are assumed to be covered by the Relocation Allowance.

Upon completion of the assignment, you may sell these items and keep any proceeds you may receive.

This benefit will be grossed-up to offset the additional tax liability caused by the allowance.

Tax Assistance

WBA recognizes that the actual income and social taxes while on a global assignment are different from what they would have been in the home country. This is because:

1. You may be subject to income tax in the host country, home country, or both. This depends on the applicable home/host country tax laws, the length of your assignment, and income tax treaties, etc.
2. In addition to your regular taxable income (e.g., base salary, bonus, etc.), supplemental adjustments that you may receive are also generally taxable in one or both of the countries involved.
3. Personal Income that may become exposed to host country taxation will be remunerated up to \$100,000US (including gross up amount) as long as you;
 - a. Are not or do not become a Section 16 Officer of the Company; and
 - b. Can demonstrate that your assignment will produce sufficient Return on Investment to the Company to cover the additional cost (to be determined by you and your manager).

To eliminate concerns over these complications, WBA has formalized a full tax assistance policy that covers your WBA-based income earned while you are on assignment. The objective of this policy is to neutralize the tax effect this assignment may have on you, so that in principle your net tax obligation is calculated by reference to your regular 'stay-at-home' compensation and should therefore remain relatively unchanged. . The income covered by the tax assistance policy is strictly limited to the income you earn as a WBA team member, and excludes income earned by your spouse or dependents in the home or host country.

WBA will arrange for you to meet with an international tax consultant to review the tax assistance program and to discuss tax-effective planning in relation to your international assignment. You will be provided with one in-person or telephonic meeting while still in your home country to discuss home country tax implications and one meeting once you arrive in your host country to discuss host country tax implications. As part of these meetings:

- The tax consultant will calculate a hypothetical tax liability based on your estimated covered compensation plus any estimated personal income or loss.
- This hypothetical tax liability represents approximately the amount of income tax that you would have experienced had you remained in your home country, and it will be deducted from your salary each pay period. The hypothetical tax amount will represent your contribution to the global tax liability arising on your WBA income.
- Each year, after your personal income tax is prepared, the tax consultant will do a final income tax liability calculation based on actual covered compensation plus personal income or loss to ensure that the hypothetical tax collected from you during the year was correct. Any adjustments will be collected from you / paid back to you at this point.
- WBA will be responsible for the actual taxes that arise on your WBA income globally. . However, you will also be responsible for any income and social security tax related to income earned by your spouse or dependents in the home and host countries.
- You also will be responsible to pay any fees, penalties, or interest incurred in the preparation of your tax return which may result in processing delays caused by your untimely actions. This includes fees and other expenses associated with an extension you may request.

If you have dual citizenship or another situation in which you have a tax obligation to more than two jurisdictions, then WBA will review the application of the tax equalization policy on a case-by - case basis. Also, if you receive a social stipend in your host country, then you will be required to return that to the company as part of the tax equalization process.

Tax Return Preparation

To help you understand the tax assistance policy, as well as to help you meet all filing and reporting requirements during your global assignment, WBA has retained at company expense an international tax consultant for the following services:

- Preparation of your home country and host country tax returns during your assignment, until you no longer have employment related tax liability in your host country; and
- Assistance with tax authority examination (including routine inquiries and correspondence) of such returns to the extent such examination relates to company-paid income or reimbursed expenses.
- Application for rebates in countries where this is available and appropriate. Any rebate is to be provided to WBA global mobility as soon as it is received.

Although WBA provides you with such assistance, you are responsible for complying with all home/host country filing requirements in a timely manner. All information disclosed by you to the consulting firm will be treated confidentially.

Tax return preparation may also be provided for additional year(s) deemed necessary by WBA. The company reserves the right to continue providing tax preparation services to you beyond your assignment date based on the company's ability to recover tax attributes in the affected countries.

Mobility Premium

The mobility premium is paid in certain assignment locations where an entity needs to be established and little support has been built into current operations in the host country. The mobility premium, if applicable, is 10% of the base salary, rounded up to the nearest \$1,000. The mobility premium must be separately approved by the Chief Human Resources Officer, and will be consistently applied only when necessary to achieve the business objectives of the assignment.

Hardship Premium

The hardship premium is paid in certain assignment locations, to recognize the difficult living, working, climatic conditions and physical hardships you may experience while on assignment. The allowance is established by WBA designated data provider from actual cost surveys in these communities. The provider updates adjustments periodically due to changing world conditions and competitive developments.

Repayment Agreement

We consider the team members that we relocate to be valuable assets to WBA. As an indication of your understanding of the relocation program, you are required to sign an agreement to repay certain relocation allowances, costs, and reimbursements should you voluntarily or involuntarily (except in the event of a permanent reduction in force or job elimination or as deemed by the Company) leave your employment within a specific time period after your assignment begins. Regardless of the circumstances of your termination, WBA will pay for reasonable expenses incurred for your return to the home country (inclusive of your dependents and household goods), but not to a secondary location. WBA will provide you with the Repayment Agreement, which you must sign and return as soon as you have agreed to relocate. Funds associated with this assignment policy will not be disbursed to you until the Repayment Agreement has been signed and is on file.

Retention of any payments made under the relocation program is expressly conditioned on your continued employment with WBA. It is understood that nothing in this policy guarantees that WBA will employ you for any specified period of time.

Relocation Expenses Allowance

After signing your Repayment Agreement, you will receive a lump sum allowance in the amount of 1/12th of your salary at a minimum of \$5,000 but not to exceed \$10,000 USD designed to cover normal and customary relocation expenses. The lump sum is designed to reduce record-keeping requirements for your expenses, simplify administrative processes, and provide you with the maximum flexibility to manage your own cash flow during your relocation. If your actual expenses are less than the lump sum, you may retain the unused portion. Conversely, if your expenses exceed the lump sum, you will be responsible for these costs. No receipts are required to obtain this allowance.

The allowance will be grossed-up for the additional tax liability and is expected to cover such items as (but not limited to):

- Automobile/operator registrations and licensing
- Banking fees/charges for currency exchange
- Mail Forwarding
- Personal insurance
- Plumbing and electrical modifications
- Small appliances
- Special clothing needs due to change in climate
- Television/media connections
- Tips and gratuities
- Transformers and electrical adapters
- Towels (kitchen and/or bathroom)
- Pillows and linens
- Duvets, comforters, mattress coverings
- Small rugs
- House cleaning
- Immunization and physical exam copays
- Loss of membership penalties
- Laundry and waste baskets
- Small kitchen appliances (coffee maker, toaster, etc.)
- Cookware, dinnerware, drinkware
- Window treatments (curtains, drapes, etc.)
- General bathroom accessories
- Small personal appliances (shaver, blow dryer, clocks, alarms, fans, etc.)
- Garden/yard tools and equipment (hose, rakes, cooking grill, lighting, etc.)
- Floor or table lamps
- Pet transportation

You also have the option of shipping some of the above-named items in your air shipment.

Home Location Housing

Homeowner

For purposes of this policy, an owned primary residence is defined as:

1. Was occupied by you and your family, or was being purchased, in the home location prior to the assignment;
2. Is within normal commuting distance from the home office location; and
3. Is a year round home (i.e., not a vacation property).

Homesale

We encourage the retention of your home country home for ease of repatriation. If you decide to sell your home careful consideration should be given to the financial and tax implications of selling your primary residence. WBA will not reimburse capital gains tax levied on the sale of residential real estate, duplicate housing payments, or reimbursement of any other expenses related to owning two houses at one time.

Retaining Your Home

WBA will provide property management services to ensure that your home is properly maintained in your absence. WBA covers the following services by a WBA-authorized property management service provider:

- Quarterly home inspections
- Tenant move-in and move-out inspection
- Rented home management: screen potential tenants for owner approval, negotiate and prepare lease for owner to execute, collect rent, collect and disperse all security monies in accordance with state/county law on owner's behalf and with owner's direct instruction
- Repair and maintenance services coordination
- Customized insurance program (rates paid by the homeowner)
- Financial management
- Vacancy insurance (rates paid by WBA)

If you do not lease your primary residence, WBA will pay applicable property management fees for services unique to this situation.

Beyond securing the services of property management, and paying the vendor, WBA assumes no liability for your home during the assignment. All homeowner obligations remain your responsibility in their entirety, including, but not limited to, all costs of maintenance, repairs, insurance, and payment of state and federal taxes which may become due.

Renter

If you must break your lease in your home country location as a result of accepting a global assignment, you will be reimbursed for fees or rental loss charges levied by the landlord, for the remainder of the lease.

Costs of Moving to Host Location

There are many expenses associated with moving to your host location. WBA will provide payment or reimbursement of reasonable expenses associated with your move, such as the benefits described below.

Temporary Living

You may be eligible for up to a maximum of 30 days of temporary living in the host location in the event your household goods have not arrived in the host location concurrent to your assignment start date.

WBA will reimburse for expenses (including lodging and meals) in accordance with WBA's business travel policy for you and any accompanying dependents.

Furniture Allowance

WBA assumes that you will procure furnished housing in the host location where available. If furnished is unavailable and you procure a property that is unfurnished, WBA understands that shipping your furniture to the host location may not be feasible. Circumstantially, if you do not ship your own furniture via surface shipment (as outlined in the belowsection Shipment of Household Goods), WBA will provide a furniture allowance for you to rent furniture in the host location. Brookfield will coordinate furniture rental services on your behalf with a local supplier.

The furniture allowance will be calculated at 20% of your total **recommended** assignment location host housing allowance (see Host Location Housing and Utilities Allowance outlined in this policy).

Standard household furnishings include, but are not limited to:

Living Room

Coffee table
TV cupboard
Sofas
Lamps

Bedroom(s)

Bed frame and mattress
Night stand(s) and lamps
Mirror
Drawer chest
Large wardrobe
Ceiling lamp

Dining Room

Sideboard with mirror
Dining room table & Chairs

Home Office

Desk, Chair, & Bookshelf
Chairs

Items not considered standard household furnishings are your responsibility, however, the Relocation Expenses Allowance included in this policy is designed for this purpose.

The furniture allowance will replace the need for surface shipment of your household goods. Therefore, if you receive a furniture allowance, WBA will not cover surface shipment costs to the host country upon expatriation nor back to the home country upon repatriation.

Upon completion of the assignment, you may keep any proceeds from the sale of items you may receive, if applicable. If you rent furniture, any proceeds need to be returned to the company.

This benefit will be grossed-up for the additional tax liability.

Shipment of Household Goods

WBA will only pay for shipping your household goods from/to the home country to/from the host country when a furnished or (easily furnished locally) home option is not feasible. In this case, the most effective method of shipment will be used from the home country to the host country. Covered expenses include the cost of packing, shipping, standard import or customs fees, and unpacking the household goods. Weight and volume limits for shipments are outlined below. Both the collection (in the home country) and delivery (in the host country) of goods is limited to one location (your principal residence).

	Assignee Only	Accompanied Assignee* (Assignee and one dependent)
Air Shipment	D Container, approximately 62 cubic feet gross (typically holds 300-400 lbs.)	LDN Container, approximately 95 cubic feet gross (typically holds 400-500 lbs.)
Surface Shipment **	20 foot / 3 meter container (Typically holds 6,000-7,000 lbs. or equivalent to a 2-3 bedroom apartment)	40 foot container (Typically holds 14,000-16,000 lbs. or equivalent to a 3-4 bedroom home)
*For each additional dependent, shipment is increased by 150 lbs., subject to space limits within appropriate containers **Where movement is possible by truck as an overland move, no air shipments will be made, and additional surface shipment will be permitted to include the volume of the air-shipment not utilized.		

A list of excludable items that applies to all types of shipping and insurance is detailed in Appendix B.

Basic Shipment of Family items (When leasing furnishings in the host country) – Air only:

	Assignee Only	Accompanied Assignee* (Assignee and one dependent)
Air Shipment	D Container, approximately 62 cubic feet gross (typically holds 300-400 lbs.)	LDN Container, approximately 95 cubic feet gross (typically holds 400-500 lbs.)
*For each additional dependent, shipment is increased by 150 lbs., subject to space limits within appropriate containers		
**Where movement is possible by truck as an overland move, no air shipments will be made, and additional surface shipment will be permitted to include the volume of the air-shipment not utilized.		

When you repatriate, you will be responsible for any import duty payable on goods purchased during the assignment, as well as any shipment costs for items outside of the limits outlined above, however, the Relocation Expense Allowance included in this policy is designed for this purpose.

Insurance

You are required to prepare inventories of those goods shipped and of those stored, including replacement values and full item descriptions. WBA provides moving insurance based on estimated replacement values of goods. WBA assumes no direct liability for the damage of goods during shipment or storage.

Household Pets

Domestic pets are defined as those normally found living in a house with the family members, such as dogs and cats. Costs (for example, pet carriers, kenneling, customs, quarantine, licenses, and required health immunizations) will be reimbursed for up to two (2) pets up to \$2,500 per pet. Any expenses above this amount are to be covered by you. The Relocation Allowance is provided for these purposes.

You are responsible for making any arrangements regarding the shipment of pets and must take full responsibility for the safe arrival of the pets. *Note: your designated assignment counselor can help you become educated on the costs, customs, importation and quarantine restrictions, and requirements for bringing animals into the host country and for returning animals to your home country and will provide you with a resource to coordinate the various components of your pets' move.*

Automobiles

WBA assumes and encourages that team members who are bound for international transfers will dispose of, and not ship their personal automobiles. This policy does not cover all other vehicles including recreational vehicles, motorcycles, etc. For most locations, WBA reimburses neither for shipping an automobile to the transfer location nor for storing an automobile at home.

When you sell your personal automobiles, WBA will reimburse up to \$5,000 US per vehicle (one if single and up to two if married) to cover any losses.

Shipment of any vehicle to a host country is discouraged and not covered under this policy.

Vehicle Lease Cancellation

If you are leasing a vehicle at the time of the assignment and the lease contains a cancellation clause, you will be reimbursed for actual lease cancellation fees up to a maximum of \$5,000 USD from the time the dealership is notified that you are relocating. You are encouraged to cancel any leases you may have.

The following must be supplied to receive lease cancellation reimbursement:

- Your canceled check in payment of any cancellation charge
- Your lease
- A legal document from the dealership releasing you from all lease obligations, including cancellation charges

Host Country Transportation

Depending on the host country's local practices and requirements, WBA may cover transportation costs (grossed-up for the additional tax liability) in the host country in one of the following ways:

- Pay a transportation differential to recognize any additional costs needed to lease*/own and operate (i.e., gas and maintenance) a personal automobile in the host country.
- The provision of a company car for use in the host country. If provided the secondee is expected to comply with host country and company rules and policies regarding the use of a company car.
- In hardship locations, WBA may provide a car with a driver if it is local custom or warranted based on security concerns (limited to one car with driver).

*It is assumed that you will not sign a lease for any length of time that exceeds the length of the assignment. WBA will not cover costs associated with breaking a lease upon repatriation if assignment and lease validity do not align.

Educational Assistance Allowance

If you have authorized accompanying dependents, assistance with dependent schooling may be provided for any dependents who are of the age to attend preschool through grade 12 or the end of normal secondary education, based on the home country educational system.

Primary and Secondary Education

The definition of primary and secondary education is based on that of your home country. In the event your children have not yet completed secondary education (normally by age 18), you will be reimbursed on an annual basis for each year you are on assignment for the following educational expenses:

- Tuition, registration, and applications fees*
- Required textbooks

*Tuition, registration, and application fees are defined as any required expense that results from requirements to complete secondary education. Examples of acceptable reimbursable expenses are: semester/term tuition and registration fees, mandatory off-campus classroom work, field trips, language trips, extra-curricular activities, sports, etc. A separate reimbursement allowance of \$2,500US will be provided to cover expenses outside of Tuition, registration and application fees.

Educational reimbursements or allowances will be grossed-up to account for the additional tax liability.

Tertiary Education

Tertiary education is defined as any education undertaken after the end of secondary education (see section entitled "Primary and Secondary Education"). Costs for tertiary education (such as university) will not be reimbursed.

Spousal/Partner Career Assistance

WBA recognizes that accompanying spouses/partners on assignment undergo significant disruption to their personal lives and careers. Therefore, WBA provides financial assistance to spouses/partners to further personal development, seek employment, or secure work permits in the host country. The spouse/partner will be reimbursed up to \$5,000 USD to be submitted on an expense report with related receipts in the host location.

This benefit will be grossed-up to cover the additional tax liability.

Effect on Other Compensation and Benefits Plans

Relocation reimbursements, allowances and other "additional income" paid to you will not be considered as earnings for determining compensation awards, benefits coverage, or deductions.

DESTINATION SERVICES

At WBA's discretion, you will be provided destination services in the host location, to assist you with settling into the new environment and complying with local requirements.

This typically includes:

- Home-finding assistance and lease negotiation;
- Transportation advice;
- Telecommunication and utility installation guidance;
- Area orientation;
- Assistance with opening bank accounts, obtaining driver's licenses, local government paperwork, etc.;
- Health care and leisure activity guidance;
- Move in and move out procedures, as required;
- The relocation company support services are extended to include assistance for dependents (i.e., the selection of schools for accompanying children).

Health and Welfare Benefits

WBA will provide an International Health Benefit for you and your family while on assignment. The premiums paid for these services will be covered for you while on assignment. Prior to returning to your home country, you will be enrolled or permitted to enroll in any home country coverage.

Medical, Dental and Vision Insurance

You and your family (if covered by your medical plan and even if they are not accompanying the assignee) will have available medical, dental and vision coverage comparable to that in existence at the home country. You may be required to complete an application for coverage for you and your dependents. Benefit cards will be provided to you along with an orientation for International Health coverage will be provided prior to your relocation.

Employee Assistance Program ("EAP")

WBA maintains a Global Employee Assistance Program for assignees as part of the medical benefit which provides confidential professional assistance involving personal situations for you and your accompanying family members.

Moving internationally can be a stressful life experience, which impacts physical and emotional health and family life. You are encouraged to use the Employee Assistance Program for counseling and assistance. Please contact WBA Global Mobility for any country-specific EAP program information.

Additional Insurance

Obtaining various insurance (i.e., personal property, auto, and liability), obtaining credit and leasing an automobile (where appropriate) can be a challenge in a foreign location. WBA pays when needed on your behalf for a membership in AIG International's programs for international assignees. Benefits of the program can address concerns like those mentioned above, as well as emergency assistance programs, limited accidental death and evacuation insurance, and easy access to other types of insurance coverage. Note that any insurance provision, unless specifically noted in the Letter of Agreement, this policy, or standard WBA benefits, should be assumed not to be provided. It is up to you to investigate and determine what level and type of insurance is necessary. Any insurance coverage not noted in this policy, the Letter of Agreement, or standard WBA benefits as paid by WBA will be paid at your own expense.

Banking Assistance

WBA has available to you at no cost an International banking solution for you through CitiBank. This benefit includes many advantageous perks such as no-cost exchange rates for transactions and no-fee cash withdrawals as well as unlimited wire transfers. Reimbursement for any other banking services will not be permitted.

Leave and Time-Off Benefits

During the global assignment, your leave entitlements will generally be in accordance with WBA policy and practice in the home country. Exceptions to this general rule are any leave entitlements stated in other sections of this policy, (settling-in-time, public holidays, home leave, and emergency leave).

Settling-in Time

You will be allowed an additional five days of paid time off to pack, unpack, and to attend personal business such as obtain a driver's permit, open a bank account, register with local police, register with the home country consulate, or other required formalities.

Working Schedule and Public Holidays

You are subject to all local rules regarding working hours and practices, as well as the local public and business holiday schedule of the host country business unit.

Home Leave

To allow you and your family the opportunity to remain connected to the home country, WBA strongly encourages you and your family to take home leave each year. In addition, to facilitate repatriation, WBA encourages scheduling the home leave in conjunction with a trip to the home country business unit. Home leave should not normally be taken within six months of the start and end of the assignment.

You and your accompanying family members are eligible for the choice of:

- One (1) home leave trip per 12-month period to the home country (beginning on the first day of the assignment). The company will reimburse round-trip airfare, hotel and ground transportation for you and your accompanying family members for up to 14 days, per WBA travel policy, or
- Reimbursement will only be made once travel has been arranged and the cost of the travel is consistent with travel to your home country home or similar, see below.

If the method of payment chosen is direct reimbursement and the location booked is different from the original home location and incurs a greater cost, the excess will be at the assignee's expense. If the location is different and the cost is lower, the lower cost will be reimbursed by the company. Careful consideration should be made to the choice of how the Home Leave Allowance will be paid out as well as where the final home leave destination is ultimately booked due to calculations of taxable income.

The company will not allow the carryover of any unused home leave trips. You are expected to obtain pre-approval for your specific travel dates and visit the company and coordinate your travel with business trips. Paid leave for each home leave trip will be deducted from your paid time off credits in your home country payroll.

Family Visitation

If you either support dependent children or have non-dependent children under the age of 18, who live away from the host country, WBA will pay for round-trip economy class airfare for them to visit the host location twice per assignment year. If your spouse/partner does not accompany you to the host location, WBA will pay for round-trip economy class airfare for them to visit the host location twice per assignment year.

Emergency Leave

As a result of a serious illness or death of an immediate family member (see your home country compassionate leave/funeral policy for definition of "immediate family member"), provisions will be made for you and your accompanying family members, including biological children of either the assignee or born into a marriage that occurred during assignment, living at the host location to return to your home location. If you are going to a location other than the home country, any travel expenses that exceed the cost of traveling to the home location are your responsibility.

You will be reimbursed for a round-trip business class airfare, up to five days of reasonable rental car expenses (excluding gas, oil, tolls, and parking) in accordance with WBA business travel policy, as well as transportation to and from the airport, airport taxes, and other direct route transportation costs.

WBA will support your family needs while dealing with this difficult situation. We will connect you and your family to a support mechanism in your local area.

Evacuation and Safety

In the event of an emergency evacuation due to war, civil strife, sabotage, or natural disasters, WBA will designate an evacuation site for you and accompanying family members, which will be arranged through the designated service coordinator. You and your family members will be compensated for all transportation and living expenses while placed at the evacuation site. Should safe return to the host country in a reasonable period be unlikely, WBA will arrange for return to the home country.

You should familiarize yourself with the emergency and evacuation plan for WBA at the host location, as well as with the general safety and security guidelines for the host location. You also should check with your medical insurance carrier as there may be additional services provided as part of your benefits.

End of the Assignment

The assignment ends when you:

- Repatriate to the home country to take up a new position with WBA;
- Begin a new assignment with WBA;
- Become a local hire at the host location or transfer permanently to a new location; or
- End employment with WBA (e.g., resignation, termination, retirement, or death).

On the assignment end date, WBA generally discontinues all global assignment adjustments and benefits. However, you may be eligible for some other benefits that will differ depending on which one of the scenarios above applies.

Repatriation Process

WBA is committed to providing assistance to you upon repatriation that will ensure a successful return to the home country. In order to facilitate successful re-entry on a personal and professional level, WBA provides assistance with the move as well as with re-settling into the home country.

At the end of the assignment, you and authorized family members are typically eligible to return to the home country under certain provisions of the policy that were in effect on the assignment start date, including certain items as outlined below. All provisions will be approved by WBA in advance of the move.

Repayment Agreement

Included in the repayment agreement you signed at the beginning of your assignment is a repatriation section that states you will be required to repay any relocation expenses associated with the cost of repatriating back to the home country if you voluntarily terminated within 2 years of repatriation, including, but not limited to, allowances, costs, and reimbursements.

Repayment terms are in accordance with the same provisions outlined in the Expatriation Repayment Agreement section included in this policy.

Position Within WBA or one of its entities: Post-Assignment

WBA seeks to provide to you a job that is compatible with your education, experience, and career objectives. However, timing and availability of positions may require that you accept an interim job. Every effort will be made to provide you with the most appropriate job.

Lease Termination

WBA will reimburse you for the unexpected costs to move out of your leased home in the host country in accordance with local norms. This may include: disconnection of utilities/telephone and automobile lease termination costs.

As WBA paid the security deposit upon securing your lease at the beginning of your assignment, you are required to return the full security deposit WBA paid on your behalf. You will be responsible for the loss of any security deposit due to neglect or damage caused by you and your family.

Cultural Re-integration Assistance

To facilitate the process of moving back to your home country, WBA will provide a one-day program in efforts to prepare you and your accompanying family members for the differences that may be experienced in living, work, and school surroundings. The program is designed to assist in setting realistic expectations about returning home and adapting to daily living in the home environment.

Return Shipment of Household Goods

The return shipment of household goods and personal effects follow the same shipment guidelines that were provided at the beginning of the assignment when traveling to the host location. The maximum allowable weight of normal personal and household effects will be limited to the net weight originally shipped to the host country plus 10% for each year spent in the host location, subject to the container limits specified in the table under "Shipment of Household Goods." Any additional costs to ship chosen goods home will be at your expense. The Relocation Allowance paid when repatriating is provided for this type of need.

Duty fees are not paid on normal, personal, and household effects that were originally shipped from the home country to the host country. Any new items purchased at the host location, for example normal, personal, and household effects, liquor, jewelry, art objects, silverware, etc., may be subject to duty fees at the time of repatriation. You will be responsible for those fees. The Miscellaneous Repatriation Allowance included in this policy is designed for additional expenses such as these.

Total insured value for normal, personal, and household effects will be determined by WBA, in conjunction with the assigned international moving company. The insured value may change at the discretion of WBA. Except for the normal insurance coverage provided by WBA, your household goods are moved at your own risk. You should provide a detailed list of all of your household goods to your global assignment counselor to make sure that the appropriate insurance coverage can be provided.

In the event that you cannot accept delivery of your normal, personal, and household effects within the time and geographical limitations of the original insurance certificate, then you should contact your global assignment counselor immediately to arrange for an exception of the insurance policy. WBA decision to pay for any additional costs as a result of this type of change will be determined based on your circumstances at the time of the request.

Furniture Allowance

If WBA provided you a furniture allowance in lieu of a surface shipment of household goods for you to either rent or purchase furniture in the host location upon expatriation, you must return rented furniture or sell/dispose of purchased furniture. You may keep any proceeds you receive, if applicable.

WBA will not cover surface shipment costs back to the home country upon repatriation.

Return Travel Expenses

You and your accompanying family members will be reimbursed for costs associated with return travel to your home country in accordance with WBA business travel policy and guidelines provided for the trip to the host country at the beginning of the assignment.

Spousal/Partner Career Assistance

WBA will provide financial assistance to spouses/partners to seek personal development or employment upon repatriation in the home country. This allowance is the same as the Spousal/Partner Career Assistance allowance covered earlier in the amount of \$5,000 USD and will be grossed-up.

Rental Home Finding Assistance

If you return to your home country and your home is not available, WBA will provide professional home/rental finding assistance upon return to the home location. Any customary rental finding fees will be covered.

You will be provided with costs associated with temporary living according to the same provisions outlined at the beginning of the assignment up to 30 days.

Medical Examinations

For long-term assignments, it is recommended that you have a medical examination within one month of returning to the home location. You will be expected to pay for these expenses directly, offset by the Repatriation Relocation Expenses Allowance for which you are eligible.

Relocation Expenses Allowance

WBA will pay a Relocation Allowance to cover incidental expenses related to the return move not reimbursable under other provisions of the policy. The repatriation allowance is a lump-sum payment of \$10,000 USD and will be grossed up.

If you should voluntarily resign from WBA or are terminated for a criminal or dishonest act or violation of WBA guidelines within 24 months of repatriation, repayment of expenses paid on your behalf is required according to the terms of the Repayment Agreement.

Sequential Assignments

If you are sent on a sequential temporary assignment, under the terms of this policy or other international assignment policies, you are subject to the terms and conditions relating to the new assignment, based on the relevant policy in place at that time. All benefits related to the current assignment cease. The terms and conditions granted for the new assignment are to be derived from the relevant policy.

Conversion to the Permanent International Transfer Policy

If such a change in status is approved, you will be placed on the local payroll and receive local compensation and benefits.

Termination

You will be required to repay the following expenses paid on your behalf should you voluntarily resign from WBA or are terminated for a criminal or dishonest act or violation of WBA policy:

- Gross-up assistance
- Tax assistance

You will not be required to repay the following adjustments associated with cost differentials in the host country v. home country:

- Housing
- Goods and services
- Vehicle
- Cost of living

Involuntary Termination

In the event that you are involuntarily terminated (for cause or otherwise), the only benefits you will be eligible for are as follows:

- Most economical economy class airfare (in accordance with WBA business travel policy) to the original home country location only for you and any accompanying dependents; and
- Shipment of household goods to the original home country location as described in this policy.

No other benefits will be provided. Host housing lease cancellation, airfare and shipment of household goods may not be required to be repaid as part of Repayment Agreement.

To be eligible for the transportation and shipping benefits, they must occur within a period of 30 days after the effective date of termination. Should you not choose to exercise the option of transportation and moving expense outlined above, no substitute payment will be made nor extensions authorized.

Any separation pay will be issued in accordance with the then-current home country policy. The company reserves the right to pay severance in the most effective manner, either in the host country or upon your return to the home country.

Voluntary Termination

If you terminate employment voluntarily while on a global assignment, you are expected to give a minimum notice of 30 days. The only benefits you will be eligible for are as follows:

- Most economical airfare (in accordance with WBA business travel policy) to the original home country location only for you and any accompanying dependents; and
- Shipment of household goods to the original home country location as described in this policy.

No other benefits will be provided. Airfare and shipment of household goods will not be required to be repaid as part of Repayment Agreement.

Please note that your visa status is immediately affected upon termination of your employment with WBA. Therefore, you should contact your local National Consulate Office in order to discuss your status within 30 days of your effective termination date.

You will still be responsible for home and host tax responsibilities through your separation date.

Retirement

If you retire at the end of the assignment, you will be eligible for the remaining benefits as outlined in the Letter of Agreement. However, if you do not wish to return to your home country upon retirement, WBA, at its discretion, may provide the same benefits to relocate you and accompanying family to your destination of choice up to the equivalent cost of repatriation excluding tax equalization.

Any retirement pay will be issued in accordance with the then-current home country policy. Any retirement pay will be disbursed upon your return to the home country.

Death on Assignment

If you die while on assignment, the accompanying spouse and family will be entitled to all the benefits they would have received if you had repatriated to the home country and, at WBA's discretion, any other assistance that is deemed appropriate.

Automobiles

WBA provides you with protection for the disposal of up to two personal automobiles at the host location, and will assist you with the acquisition of replacement vehicles at the home country upon repatriation, in the same manner as described in the Costs of Moving to Host Location section of this policy.

Tax Consequences of Remaining in the Host Country

Should you decide to remain in the host country upon retirement or separation, you should consult with your international tax consultant to review the tax consequences. WBA will determine how your tax obligation will be managed upon separation or retirement.

Appendix A – Terminology

Base Salary	Your standard monthly salary (excluding adjusted compensation, bonuses, deferred compensation, adjustments, reimbursement, etc.) as determined by established salary administration policies in the home country.
Compensation Balance Sheet	An international compensation tool used to initiate payroll changes between the home/host countries and document base salary adjustments and deductions. The balance sheet is also used to determine the distribution of your compensation between the home/host countries.
Dependents	Dependents are defined as the members of your immediate family sharing the residence with you in a bona fide dependency status; e.g., legal spouse, children, or other relatives whose status qualifies as dependency under tax/legal statutes in the home country and WBA. A legal spouse is one who has legal spouse recognition/rights from your home-country government. This does not include common-law marriage unless the home country recognizes it (usually with a certificate) as a legal marriage. Domestic Partners are included in this policy as a dependent as long as the host country laws are not in conflict.
Destination Services	Provider hired by Brookfield, our service provider, in host country to assist you and your family with home finding, schools, and other desires to ensure settling in to a productive and successful assignment in host country using skill, legitimacy, and resources.
EAP	"Employee Assistance Program." Telephonic and face-to-face counseling and referrals, as well as unlimited web-based resources for mental health and work life issues.
Expatriation	The process of taking up residence in a foreign country.
Family Size on Assignment	A number that includes you and your accompanying dependents. Assignment adjustments and reimbursements are based on the family size while on assignment.
Gross-Up	Relocation expenses that are added to your earnings as taxable income to you. WBA will make a "Tax Gross-Up" payment on your behalf to cover some of the additional taxes that are due.
Home Country	The country where your employment and payroll resides, where applicable.
Host Country	The country where the international assignment is located.
Housing Norm	Hypothetical calculation made up of housing expenses that help define the difference in accommodation costs between the home and host countries.
Hypothetical Tax	A negative compensation item (deduction), which is your contribution to the overall tax liability (the balance of which is paid by WBA). It is based on the tax (and social security) liability that you would have paid if the assignment did not take place.
International Assignee	You, the team member who, at the request of WBA, undertakes an assignment outside of the home country with the intention of returning.
International Assignment Checklist	Brookfield or locally used service -provided list for use in preparation for a successful assignment in the host country.

Letter of Agreement/ Letter of Assignment	Statement of the terms and conditions that are to apply for the duration of the assignment. The letter is an amendment to your current terms and conditions (company offer letter) but is not either an explicit or implied contract of employment. Sometimes referred to as an "Assignment Letter" or a "Terms and Conditions Letter."
Mentor	A WBA -assigned peer who guides your professional development by sharing expertise, values, skills, personal experiences, job knowledge, and friendship. Point of contact for information about the office, office procedures, and be a source of support, advice, and encouragement.
Primary Residence	The location in which you reside full-time prior to the assignment. Must be occupied by you and your family, or was being purchased, in the home location prior to the assignment. Must be within normal commuting distance from the home office location and is a year-round home (i.e., not a vacation property).
Property Management	A third party vendor hired by WBA to manage your property in the home country while on assignment in the host country. Services include, but are not limited to, leasing and tenant relations, financial management, and field services.
Relocation	The physical movement of both you and your accompanying family and their household goods from the home country to the host country.
Repatriation	You and your family return to the home country.
Repayment Agreement	A Repayment Agreement that specifies repayment of specific relocation expenses should your employment status with WBA change while on assignment must be signed by you before your assignment can be initiated or any relocation allowances paid.
Tax Assistance	Approach through which your combined home/host country tax liability on WBA income is no greater than the normal home country tax liability you would have incurred on that same income. WBA will pay the difference, if any.
Tertiary Education	Secondary education, following high school (i.e., college, tech school, graduation programs, etc.)
Totalization Agreement	An agreement between the home and host countries that allows you to pay social security in only one of the countries, not both. If the home and host countries have this agreement in place, then the social security payments will be maintained in the home country.

Appendix B - Shipment and Storage* Exclusions

If you wish to ship and/or store any of the items listed in the sections below, all related charges and expenses (including insurance) would be your responsibility. WBA will not accept any loss or damage claims for these items. In addition, you may not be allowed to ship or store such items due to relevant legislation and procedures:

Shipping Exclusions (This list is only a guideline and WBA reserves the right to exclude other items from time to time)

- All flammable items such as paints, varnishes, aerosol cans, combustible liquids, corrosives, and explosives;
- Liquid propane tanks and scuba tanks;
- Ammunition, firearms, and fireworks;
- Illegal substances;
- Pornographic material;
- Automobiles, motorcycles, recreational vehicles, airplanes and gliders, boats, boat kits, inboard marine engines, outboard motors, and related automotive equipment;
- Riding mowers and tractors;
- Food stuff, other perishable items;
- Drinking alcohol;
- Animals not allowed into host country (per host country regulations);
- Plants, shrubs, and trees;
- Bulky/heavy low value to weight ratio items such as cordwood, brick, sand, lumber and other building materials, and utility sheds;
- Bulky/heavy wood working shop equipment or other hobby equipment of similar nature;
- Swing sets, climbing gyms, and playhouses;
- Satellite television/radio receiving discs/dishes and related equipment;
- Hot tubs, spas, whirlpool baths, and saunas;
- Major household appliances (e.g., refrigerators, freezers, stoves, washers, and dryers) except for overland moves within a continent. WBA assumes company-paid storage;
- Antiques, collector's items, pianos, valuable works of art, jewelry, and other items of high value;
- Any item intended for resale or private business use; and
- Personal and household effects, furniture, or other articles, not for the assignee's (or family's) own use.

***Storage Exclusions – While WBA does not cover storage of household goods, please refer to the following exclusions as a guideline if you elect to temporarily store your belongings: (This list is only a guideline and WBA reserves the right to exclude other items from time to time)**

- All flammable items such as paints, varnishes, aerosol cans, combustible liquids, corrosives, and explosives;
- Liquid propane tanks and scuba tanks;
- Ammunition, firearms, and fireworks;
- Illegal substances;
- Automobiles, motorcycles, recreational vehicles, airplanes and gliders, boats, boat kits, inboard marine engines, outboard motors, and related automotive equipment;
- Riding mowers and tractors;
- Food stuff;
- Antiques, collector's items, pianos, valuable works of art, jewelry, and other items of high value; and
- Any items requiring special storage services.

DISCLAIMER: This list may not include all host-country-specific exclusions. Brookfield and the designated provider can review all exclusions in detail upon request. It is the responsibility of the assignee to understand the exclusions and insure that they are followed. Any fines that result from not following the exclusions and packing requirements are the responsibility of the assignee.

SEPARATION AGREEMENT

This Separation Agreement (the “ *Agreement* ”) is entered into this 26th day of May, 2015 by and between Walgreens Boots Alliance, Inc. (the “ *Company* ”) and Timothy J. Theriault (“ *Executive* ”).

WHEREAS, Executive currently serves the Company as its Executive Vice President, Global Chief Information Officer; and

WHEREAS, the Company and Executive desire to set forth herein their mutual agreement with respect to all matters relating to Executive’s cessation of employment from the Company.

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, the adequacy and sufficiency of which are hereby acknowledged, the Company and Executive agree as follows:

1. Separation. Executive shall separate from his position as Executive Vice President, Global Chief Information Officer, effective as of May 31, 2015 (the “ *Termination Date* ”), at which time his employment with the Company and its subsidiaries shall terminate. Executive shall also separate from any and all other officer, director and committee positions with the Company and its subsidiaries, effective as of the Termination Date or any earlier date(s) as may be designated by the Company. During the period from the date of this Agreement through the Termination Date, Executive shall continue in his current position, and he shall also assist with such transitional duties and responsibilities as the Company shall request from time to time, and Executive shall continue at the same salary and benefits that he is receiving as of the date of this Agreement. The Company may accelerate the Termination Date for Cause, as defined in the Company’s Executive Severance and Change in Control Plan. If the Company accelerates the Termination Date for Cause or if Executive resigns from his employment prior to the Termination Date, Executive shall not be entitled to any subsequent salary, bonus or benefits payable pursuant to this Section 1 or to the severance benefits set forth in Section 3 below.

2. Accrued Obligations and Post-Termination Benefits. As soon as administratively practicable, but not more than four weeks, after the Termination Date, Executive shall receive (a) any portion of Executive’s base salary that is accrued but unpaid as of the Termination Date, other than amounts that he has elected to defer, (b) any accrued but unpaid PTO/vacation pay, (c) any unreimbursed expenses for which proper documentation is provided, and (d) any other vested amounts and benefits that are to be paid or provided to Executive by the Company under the Company’s benefit plans (other than any benefits payable pursuant to Section 3 hereof and other than any deferred compensation that is subject to and not otherwise exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended [the “ *Code* ”]), but which have not yet been paid or provided (as applicable). In addition, the Company shall provide for post-termination of employment nonqualified deferred compensation benefits and employee welfare benefits, other than severance benefits, pursuant to the terms of the respective plans and policies under which such post-termination of employment benefits and welfare benefits, if any, are provided, except as provided in Section 3(c) below.

3. Severance Benefits. In consideration for (i) Executive's General Release of claims, in accordance with Section 6 below, (ii) Executive's agreement to comply with the Restrictive Covenants referenced in Section 7 below and (iii) Executive's compliance with his duties and responsibilities pursuant to Section 1 above and his other obligations pursuant to the terms of this Agreement, the Company shall pay or provide to Executive the following, as also reflected in Exhibit C:

(a) A cash severance benefit in the gross amount of \$2,660,000, which shall be paid in 9 equal monthly installments of \$295,555.56, beginning in the month following the Termination Date, but not earlier than the end of the revocation period applicable under Exhibit B. For purposes of Section 409A of the Code, each severance installment payable under this Section 3(a) shall constitute a separate "payment" within the meaning of Treasury Regulation Section 1.409A-2(b)(2).

(b) A prorated annual performance bonus for the fiscal year of the Company ending August 31, 2015, based on Executive's eligible earnings through the Termination Date, subject to the Company's attainment of applicable performance conditions for such fiscal year, and payable at the time that fiscal year 2015 bonuses are paid to active participants, but in no case later than March 15, 2016. Under no circumstances will any individual performance measure reduce the amount of the prorated annual bonus otherwise payable under this Section 3(b).

(c) If Executive timely elects post-termination continuation coverage under Section 4980 of the Code ("**COBRA**") with respect to medical, vision, prescription and/or dental coverage, then the Company shall reimburse Executive (or pay the provider directly) for the premiums for such COBRA coverage for Executive and his eligible dependents to the extent such premiums exceed the premiums payable for similar employer-provided coverage by active employees; provided that there shall be no reimbursement (or direct payment) of such premiums by the Company for any COBRA coverage after the earlier of (i) the 24-month anniversary of the Termination Date, and (ii) the cessation of Executive's COBRA coverage (including, but not limited to, the cessation of COBRA coverage due to Executive becoming eligible for medical, vision, prescription or dental coverage, respectively, from a subsequent employer, or for Medicare).

(d) All outstanding awards held by Executive that are settled in or measured by reference to the common stock of the Company ("**Equity Awards**") shall terminate as of the Termination Date, except as follows:

- (i) Executive's outstanding time-vested restricted stock units granted on October 1, 2009, with respect to 2,058 shares of Company common stock (plus any additional restricted stock units credited as a result of dividend equivalents), which were previously deferred in accordance with the terms and conditions of the Walgreen Co. Section 162(m) Deferred Compensation Plan, will be distributed in accordance with the terms of such Plan.

- (ii) Executive's outstanding time-vested restricted stock units granted on September 15, 2014 shall become vested on the Termination Date with respect to 12,071 shares of Company common stock, plus any additional restricted stock units credited as a result of dividend equivalents.
- (iii) Executive's outstanding performance share award granted on November 1, 2013 shall become vested at the end of the full performance period ending August 31, 2016 with respect to the number of shares of Company common stock that are earned based on the extent to which applicable performance conditions are achieved during such full performance period, and prorated to reflect the number of full months in such performance period during which Executive was employed (i.e., 21/36 months), and the remainder of such award shall be forfeited.

(e) Within 60 days following the Termination Date, an additional payment representing the value of certain forfeited equity awards, calculated as follows:

- (i) stock option granted November 1, 2012 (65,651 shares) multiplied by the excess of the "Company Stock Price" over the \$35.50 exercise price for such stock option; plus
- (ii) restricted stock units granted November 1, 2012 (12,923 shares) multiplied by the "Company Stock Price."

For purpose of the above, the "Company Stock Price" shall be the average closing price of Company common stock over the 30 trading days immediately preceding the first day of the month in which the Termination Date occurs.

(f) Within 90 days following August 31, 2015, an additional payment representing the value of Executive's forfeited performance share award granted on November 1, 2012, as if such award had become vested at the end of the full performance period ending August 31, 2015 with respect to the number of shares of Company common stock that would have been earned based on the extent to which applicable performance conditions are achieved during such full performance period. Such value shall be determined based on the Company Stock Price, as defined above, but based on the 30 trading days immediately preceding the month of September 2015.

(g) Executive's rights under this Agreement supersede and are in full satisfaction of any rights Executive may have had under the Severance Plan, and all of Executive's rights under the Severance Plan are hereby terminated; provided, however, that if a Change in Control, as defined in the Severance Plan, occurs prior to the Termination Date, then in lieu of the benefits described in Sections 3(a), 3(b) and 3(c) above, but subject to all other terms and conditions of this Agreement, Executive shall receive severance benefits pursuant to the terms of Article V of the Severance Plan, as in effect on the Termination Date for the benefit of Executive Vice Presidents of the Company. In addition, Executive's rights under this Agreement supersede and are in full satisfaction of any rights Executive may have had under the Company's 2013 Omnibus Incentive Plan, as amended and restated as of December 31, 2014, the Company's Executive Stock Option Plan and the Company's Long-Term Performance Incentive Plan (the "*Equity Plans*"), and the award agreements thereunder; provided, however, that if a Change in Control, as defined in the applicable Equity Plan, occurs prior to the Termination Date, then in lieu of the benefits described in Sections 3(d), 3(e) and 3(f) above, but subject to all other terms and conditions of this Agreement, Executive's outstanding awards under the Equity Plans shall be treated in accordance with the terms of the applicable Equity Plans and award agreements.

(h) All incentive compensation paid to Executive pursuant to this Agreement or otherwise in connection with Executive's employment with the Company shall be subject to forfeiture, recovery by the Company or other action pursuant to any clawback or recoupment policy which the Company has adopted as of the Separation Date to the extent the Board of Directors of the Company determines in good faith that the adoption and maintenance of such policy is necessary to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or is otherwise required by the laws of the United States.

4. Tax Withholding. The Company shall deduct from the amounts payable to Executive pursuant to this Agreement the amount of all required federal, state and local taxes required to be withheld pursuant to applicable law.

5. Section 409A. This Agreement and the accompanying Consulting Agreement "Consulting Agreement" are intended to comply with the requirements of Section 409A of the Code, and shall be interpreted and construed consistently with such intent. The payments to Executive pursuant to this Agreement and the Consulting Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), or otherwise and for this purpose each payment shall constitute a "separately identified" amount within the meaning of Treasury Regulation §1.409A-2(b)(2). In the event the terms of this Agreement or the Consulting Agreement, or any party's conduct under either of them, could subject Executive to taxes or penalties under Section 409A of the Code (collectively, "**409A Penalties**"), the Company and Executive shall cooperate diligently to amend the terms of this Agreement to avoid such 409A Penalties, to the extent possible. To the extent any amounts under this Agreement are payable by reference to Executive's "termination of employment" or "Termination Date" such term shall be deemed to refer to Executive's "separation from service," within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Agreement, if Executive is a "specified employee," as defined in Section 409A of the Code, as of the date of Executive's separation from service, then to the extent any amount payable to the Executive (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon the Executive's separation from service and (iii) under the terms of this Agreement would be payable prior to the six-month anniversary of the Executive's separation from service, such payment shall be delayed until the earlier to occur of (a) the first business day following the six-month anniversary of the separation from service and (b) the date of Executive's death. Any reimbursement or advancement payable to Executive pursuant to this Agreement or otherwise shall be conditioned on the submission by Executive of all expense reports reasonably required by the Company under any applicable expense reimbursement policy, and shall be paid to the Executive within 30 days following receipt of such expense reports, but in no event later than the last day of the calendar year following the calendar year in which Executive incurred the reimbursable expense. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. The right to any reimbursement or in-kind benefit pursuant to this Agreement or otherwise shall not be subject to liquidation or exchange for any other benefit.

6. **General Release.** As a condition to Executive's receipt and retention of the consideration described in Section 3 above, he shall (a) execute the General Release and Waiver attached hereto as Exhibit A hereto (the "**General Release**") not later than 21 days after the date of this Agreement, and not revoke the General Release within the revocation period set forth in the General Release, and (b) execute the affirmation of the General Release attached hereto as Exhibit B hereto (the "**Affirmation**") not later than 21 days after the Termination Date, and not revoke the Affirmation within the revocation period set forth in the Affirmation.

7. **Restrictive Covenants.** Executive agrees that the terms of the various non-competition, non-solicitation and confidentiality agreements entered into in connection with the Equity Awards granted to Executive under the Equity Plans (the "**Restrictive Covenants**") are valid and enforceable. Subject to Section 11 of this Agreement, the Company may have the right to discontinue all amounts payable under this Agreement, to recover payments made under this Agreement from the date of any breach by Executive, and to obtain injunctive relief should Executive breach any of the Restrictive Covenants.

8. **Non-disparagement.** Executive shall not, directly or indirectly, disclose, communicate, or publish in any format any libelous, defamatory, or disparaging information concerning the Company, its executives, officers, Board of Directors, its subsidiaries, affiliates, employees, operations, technology, proprietary or technical information, strategies or business whatsoever, or cause others to disclose, communicate, or publish any disparaging information concerning the same. Notwithstanding anything to the contrary in this Section 8, nothing shall prohibit Executive from giving truthful testimony or evidence to a governmental entity, or if properly subpoenaed or otherwise required to do so under applicable law.

9. Company Property. No later than the end of his services under the Consulting Services Agreement entered into concurrently herewith, Executive shall, to the extent not previously returned or delivered: (a) return all equipment, records, files, documents, data, programs or other materials and property in Executive's possession, custody or control which relates or belongs to the Company or any one or more of its affiliates, including, without limitation, all, Confidential Information (defined below), computer equipment, access codes, messaging devices, credit cards, cell phones, keys and access cards; and (b) deliver all original and copies of confidential information, electronic data, notes, materials, records, plans, data or other documents, files or programs (whether stored in paper form, computer form, digital form, electronically or otherwise, on Company equipment or Executive's personal equipment) that relate or refer in any to (1) the Company or any one or more of its affiliates, its business or its employees, or (2) the Company's Confidential Information or similar information. By signing this Agreement, Executive represents and warrants that Executive will not retain and has or shall timely return and deliver all the items described or referenced in subsections (a) or (b) above; and, that should Executive later discover additional items described or referenced in subsections (a) or (b) above, Executive shall promptly notify the Company and return/deliver such items to the Company. Confidential Information means information (1) disclosed to or known by Executive as a consequence of or through his employment with the Company or one of its affiliates; and (2) which relates to any aspect of the Company's or an affiliate's business, research, or development. "**Confidential Information**" includes, but is not limited to, the Company's or an affiliate's trade secrets, proprietary information, business plans, marketing plans, financial information, employee performance, compensation and benefit information, cost and pricing information, identity and information pertaining to customers, suppliers and vendors, and their purchasing history with the Company, any business or technical information, design, process, procedure, formula, improvement, or any portion or phase thereof, that is owned by or has, at the time of termination, been used by the Company, any information related to the development of products and production processes, any information concerning proposed new products and production processes, any information concerning marketing processes, market feasibility studies, cost data, profit plans, capital plans and proposed or existing marketing techniques or plans, financial information, including, without limitation, information set forth in internal records, files and ledgers, or incorporated in profit and loss statements, fiscal reports, business plans or other financial or business reports, and information provided to the Company or an affiliate by a third party under restrictions against disclosure or use by the Company or others. Nothing in this Section shall be construed, however, to require Executive to return to the Company any publicly available information or other information Executive obtained by reason of his ownership of Company stock or debt.

10. Cooperation. Executive agrees to cooperate with the Company in accordance with this Section 10. References in this Section to the "Company" shall include all subsidiaries and affiliates of the Company, as applicable.

(a) During the period ending on the third anniversary of the Termination Date, Executive agrees to be reasonably available to the Company or its representatives to briefly discuss matters relating to the responsibilities he held during his employment.

(b) At all times prior to, on or after the Termination Date, Executive shall cooperate with any and all investigations or other legal, equitable or business matters or proceedings which involve any matters on which Executive worked or had responsibility during his employment with the Company. This includes but is not limited to testifying (and preparing to testify) as a witness in any proceeding or otherwise providing information or reasonable assistance to the Company in connection with any investigation, claim or suit, and cooperating with the Company regarding any investigation, litigation, claims or other disputed items involving the Company that relate to matters within the knowledge or responsibility of Executive. Specifically, Executive agrees (i) to meet with the Company's representatives, its counsel or other designees at reasonable times and places with respect to any items within the scope of this provision; (ii) to provide truthful testimony regarding same to any court, agency or other adjudicatory body; (iii) to provide the Company with immediate notice of contact or subpoena by any non-governmental adverse party, and (iv) to not voluntarily assist any such non-governmental adverse party or such non-governmental adverse party's representatives. Executive acknowledges and understands that his obligations of cooperation under this Section 10(b) are not limited in time and may include, but shall not be limited to, the need for or availability for testimony. Executive shall receive no additional compensation for time spent assisting the Company pursuant to this Section 10, but shall be reimbursed for reasonable travel and other business expenses incurred by Executive at the request of the Company.

(c) The Company shall indemnify and hold harmless Executive from and against any losses, claims, demands, costs, damages, liabilities, joint and several, expenses of any nature (including attorney's fees and disbursements), judgments, fines, settlements, penalties and other expenses actually and reasonably incurred by Executive in connection with any and all claims, demands, actions, suits, or proceedings, civil, criminal, administrative or investigative, in which Executive may be involved, or threatened to be involved, as a party or otherwise, by reason of the fact that Executive was employed by the Company or arising out of or incidental to the business of the Company, to the maximum extent provided under the terms of the Company's charter and by-laws or any other applicable documentation, in accordance with the terms and conditions set forth therein.

11. Consequences of Breach. Executive agrees that the benefits provided pursuant to Section 3 of this Agreement are conditioned on his compliance with all of his commitments set forth in this Agreement, the Restrictive Covenants and the General Release. In the event of any claimed material breach of this Agreement, the Restrictive Covenants or the General Release by Executive, the Company shall provide prompt written notice of such breach to Executive to allow him an opportunity to cure such material breach. In the event Executive fails to cure such material breach within 15 days after notice of such material breach, the Company shall be entitled as an interim remedy to discontinue and recover 50% of all benefits paid or otherwise payable to Executive pursuant to Section 3(a), (b), (c) and (e) of this Agreement, subject to an ultimate decision by a court of competent jurisdiction. In addition, Executive acknowledges that the provisions in the Restrictive Covenants are necessary to enable the Company to maintain its competitive position and any material actual or threatened breach of the Restrictive Covenants could result in irreparable and continuing damage to the Company for which there will be no adequate remedy at law. In the event of any material actual or threatened breach of the Restrictive Covenants that has not been cured, the Company, to the extent determined by a court of competent jurisdiction, shall be entitled to injunctive relief, including the right to a temporary restraining order, and other relief, including damages, as may be proper. Each party shall be responsible for its own attorneys' fees and costs. The foregoing damages and remedies of the Company are in addition to, and not to the exclusion of, any other damages the Company may be able to prove.

12. Enforceability. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect and such invalid or unenforceable provision shall be reformulated by such court to preserve the intent of the parties hereto.

13. Successors. This Agreement shall inure to the benefit of and be enforceable by Executive and by Executive's personal or legal representatives, executors and administrators and by the Company and its successors and assigns. In the event of the death of Executive while any amounts are payable to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's estate.

14. Notices . All notices and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given by a party hereto when delivered personally or by overnight courier that guarantees next day delivery or five days after deposit in the United States mail, postage prepaid to the following address of the other party hereto (or to such other address of such other party as shall be furnished in accordance herewith) if to the Company, to Walgreens Boots Alliance, Inc., 108 Wilmot Road, Deerfield, IL 60015, Attention: General Counsel, and if to Executive, to the last known address of Executive in the records of the Company, which Executive may update from time to time by way of the notice procedure set forth in this Section 14.

15. Entire Agreement. Except as otherwise specifically provided herein, this Agreement constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof and with respect to Executive's employment with the Company, contains all the covenants, promises, representations, warranties, and agreements between the parties with respect to Executive's separation from the Company and its subsidiaries and all positions therewith, and supersedes all prior employment or severance or other agreements between Executive and the Company and its subsidiaries, whether written or oral, or any of its predecessors or affiliates. Except as otherwise provided herein, Executive acknowledges that no representation, inducement, promise, or agreement, oral or written, has been made by either party, or by anyone acting on behalf of either party, which is not embodied herein, and that no agreement, statement, or promise relating to Executive's separation from the Company and its subsidiaries that is not contained in this Agreement shall be valid or binding. Executive represents and acknowledges that in executing this Agreement, he does not rely, and has not relied, upon any representation(s) by the Company or its agents except as expressly contained in this Agreement. Any modification of this Agreement will be effective only if it is in writing and signed by both parties.

16. Waivers. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall (i) be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time or (ii) preclude insistence upon strict compliance in the future.

17. Applicable Law. This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Illinois without giving effect to any choice of law principles.

18. Counterparts. The parties shall sign two (2) originals of this Agreement (one for each party), whether or not executed in counterparts.

[Signature Page to Follow]

WHEREFORE, the Company and Executive, by their signatures below, evidence their agreement to the provisions stated above.

WALGREENS BOOTS ALLIANCE, INC.

/s/ Kathleen Wilson-Thompson

Date: May 28, 2015

EXECUTIVE

/s/ Timothy J. Theriault

Timothy J. Theriault

Date: May 28, 2015

EXHIBIT A

GENERAL RELEASE AND WAIVER

1. I, Timothy J. Theriault, in consideration of and subject to the performance by Walgreens Boots Alliance, Inc. (together with its Affiliates, as defined in the Severance Plan, the “Company Parties”), of its obligations under the accompanying Separation Agreement of May 26, 2015 (the “Separation Agreement”), do hereby release and forever discharge as of the date hereof the Company Parties and their respective affiliates, subsidiaries and direct or indirect parent entities and all present, former and future shareholders, directors, officers, agents, representatives, employees, successors and assigns of the Company and/or its respective affiliates, subsidiaries and direct or indirect parent entities (collectively, the “Released Parties”) to the extent provided below (this “General Release”). The Released Parties are intended to be third-party beneficiaries of this General Release, and this General Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder. Terms used herein but not otherwise defined shall have the meanings given to them in the Separation Agreement.

2. I understand that any payments or benefits paid or granted to me under Section 3 of the Separation Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive certain of the payments and benefits specified in the Separation Agreement unless I execute this General Release and do not revoke this General Release within the time periods permitted hereafter. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its Affiliates, except as otherwise specifically provided in any such plan, program, policy or arrangement.

3. Except as provided in Sections 5, 6, and 12 below and except for the provisions of the Separation Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys’ fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date I sign this General Release) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, claiming through me may have, and which arise out of or are connected with my employment with, or my separation or termination from, the Company, including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act) (the “ADEA”); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys’ fees incurred in these matters (all of the foregoing collectively referred to herein as the “Claims”).

4. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by Section 3 above.

5. I agree that this General Release does not waive or release any rights or claims that I may have which arise after the date I execute this General Release, including Claims under the ADEA. I acknowledge and agree that my separation from employment with the Company shall not serve as the basis for any claim or action (including, without limitation, any claim under the ADEA).

6. I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever in respect of any released Claims, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I further acknowledge that I am not waiving and am not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding. Additionally, I am not waiving (i) any right to the Accrued Obligations, any severance benefits or other consideration to which I am entitled under the Separation Agreement, (ii) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's organizational documents or otherwise, (iii) my rights as an equity or security holder in the Company or its Affiliates, (iv) my rights under any equity awards that survive termination of employment in accordance with the terms of the Separation Agreement; (v) my rights under any retirement plan that is "qualified" under Section 401(a) of the Internal Revenue Code of 1986, and (vi) any claim for breach of this Agreement by the Company or any of the Released Parties.

7. I hereby agree not to bring or participate in any class or collective action against the Company and/or the other Released Parties that asserts, in whole or in part, any claims that arose before I signed this General Release, whether or not such claims (if brought by me individually) are released by this General Release, except to the extent such rights or claims cannot be waived under applicable law.

8. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied, subject to Sections 5, 6, 7 and 12 hereof. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver I would not have become entitled to the benefits provided under the Separation Agreement. I further agree that in the event I should bring a released Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any released Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law. I further agree that I am not aware of any pending claim of the type described in Section 3 above as of the execution of this General Release.

9. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

10. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other insurance regulatory organization or any governmental entity.

11. I represent that I am not aware of any claim by me other than the claims that are released by this General Release. I acknowledge that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in Section 3 above and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it.

12. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, waive or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the terms of the Separation Agreement.

13. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held 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 any other provision or any other jurisdiction, but this General Release, whenever possible, shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

14. BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY; AND I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963; THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(b) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(c) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(d) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT, AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED 21 - DAY PERIOD;

(e) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

(f) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(g) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

SIGNED: /s/ Timothy J. Theriault
Timothy J. Theriault

DATED: 5/28/15

EXHIBIT B

**AFFIRMATION AND ADDITIONAL RELEASE
("AFFIRMATION")**

By my signature below, I hereby re-execute and affirm the Separation Agreement, originally signed by me on May 26, 2015 (the "Agreement"), including, but not limited to, the General Release and Waiver of claims attached as Exhibit A to the Agreement (the "General Release"). Further, I hereby release and waive any and all released claims described in the General Release that exist or may exist on or prior to the date I sign this Affirmation (including, without limitation, claims under the ADEA, as defined in the General Release). I understand that I (a) may not sign this Affirmation until on or after my Termination Date and (b) must return a signed copy of this Affirmation to the Company within 21 days after my Termination Date.

Executive, by Executive's free and voluntary act of signing below, (i) acknowledges that he has been given a period of at least twenty-one (21) days to consider whether to agree to the terms contained herein, (ii) acknowledges that he has been advised in writing to consult with an attorney prior to executing this Affirmation, (iii) acknowledges that he understands that this Agreement specifically releases and waives all rights and claims Executive may have under the ADEA on or prior to the date on which Executive signs this Affirmation, and for valuable consideration to which he otherwise would not be entitled, and (iv) agrees to all of the terms of this Affirmation and the Agreement and intends to be legally bound thereby.

Furthermore, Executive acknowledges that the payments and benefits provided for in Section 3(a), (b), (c) and (e) of the Agreement will be delayed until the Agreement and this Affirmation become effective, enforceable and irrevocable. This Affirmation will become effective, enforceable and irrevocable on the eighth day after the date on which it is executed by Executive. During the seven-day period following the date on which Executive executes this Affirmation, Executive may revoke his agreement to accept the terms of this Affirmation by indicating his revocation in writing to the General Counsel of the Company. If Executive exercises his right to revoke this Affirmation, Executive shall not be eligible to receive and shall forfeit his right to receive any of the payments or benefits provided in Section 3(a), (b), (c) and (e) of the Agreement, and to the extent such payments or benefits have already been made, Executive agrees that he will immediately reimburse the Company for the amounts of such payments and benefits.

Terms not defined in this Affirmation shall have the same meaning as defined in the Agreement.

EXECUTIVE

/s/ Timothy J. Theriault

Timothy J. Theriault

Date: 5/28/2015

EXHIBIT C

Specified Employee?	Yes
Last day worked	5/31/2015
Separation from Service	5/31/2015
Six-month delay date	11/30/2015

Compensation/Benefit	Amount	Payment Timing/Schedule
Vacation/PTO Payout	TBD	Within 4 weeks following May 31, 2015
Severance	\$2,660,000	Monthly from June, 2015 through February, 2016
Pro-rated bonus for FY15	TBD	November, 2015
Distribution of RSUs previously deferred under 162(m) Plan	10/1/09 RSUs; 2,058 shares	January, 2016
Distribution of shares underlying RSU's that vest on Termination Date	9/15/14 RSUs; 12,071 shares	Asap following May 31, 2015
Nov. 2013 performance shares - prorated	TBD	October or November, 2016
Equity Make-Whole Payment - value of forfeited 2012 stock options	TBD	On or before July 31, 2015
Equity Make-Whole Payment - value of forfeited 2012 RSUs	TBD	On or before July 31, 2015
Equity Make-Whole Payment - value of 2012 forfeited perf. shares	TBD	On or before November 30, 2015
Executive Deferred PS Plan - Post 2004 "Employer" Account	Approx. \$490,000	Monthly installments per Plan rule - based on size of account balance; begin as soon as practicable following November 30, 2015
Exec. Deferred/Cap. Accum. Plan	Current value = Approx. \$74K	As soon as practicable following November 30, 2015

CONSULTING SERVICES AGREEMENT

This Consulting Services Agreement (this “Agreement”) is entered into as of this 26th day of May, 2015, by and between Walgreens Boots Alliance, Inc., a Delaware corporation, on behalf of itself and its subsidiaries and affiliates (the “Company”), and Timothy J. Theriault (“Consultant”).

WHEREAS, Consultant is currently employed by the Company as its Global Chief Information Officer;

WHEREAS, pursuant to the Separation Agreement dated May 26, 2015 between Consultant and the Company (the “Separation Agreement”), Consultant’s employment with the Company is ending as of May 31, 2015, or such earlier date as may apply under the terms of the Separation Agreement (the “Employment Termination Date”);

WHEREAS, the Company desires that, following the Employment Termination Date, Consultant shall provide advice and counsel to Company leadership on certain transition, integration, and strategic matters; and

WHEREAS, both parties wish to enter into this Agreement to govern the terms and conditions of this arrangement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Consulting Services Effective Date. The “Consulting Services Effective Date” of this Agreement shall be the first day of the calendar month following the Employment Termination Date, subject to the Company’s right to cancel this Agreement if such Employment Termination Date is prior to May 31, 2015 due to Consultant’s resignation or involuntary termination of employment for Cause, as defined in the Separation Agreement.

2. Services. During the Term (as defined in Section 4 below), Consultant agrees to make Consultant’s personal services (the “Services”) available to the Company to provide advice and counsel to the Chief Executive Officer of the Company, the highest ranking IT officer of the Company, and/or one designee of each of them on such matters as they deem appropriate, including providing input for global involvement of architectural/technology choices, including software approach and advising on transformational programs; advising and supporting the cyber-security program; assisting in definition of the global IT organization/cost structure; identifying new business models leveraging new technologies; and advising/coaching IT leaders as assigned. Consultant agrees to devote sufficient time and attention to the performance of the Services; it being understood that Consultant shall not devote more than an average of two days per week towards the Services, which in any case is expected to be 20% or less of the average level of services performed by Consultant for the Company over the 36-month period ending on the Employment Termination Date. The Company agrees to provide Consultant with access to all information necessary for him to render such Services.

3. Consideration.

(a) Fees. As consideration for the Services, the Company shall pay Consultant at the rate of \$40,000 per month, with a pro-rated amount to be paid for any partial month during the Term. The monthly fee for each month of the Term shall be processed during the last week of the month and paid on or before the fifth business day of the following month.

(b) Expenses. Consultant shall be reimbursed all pre-approved, reasonable expenses incurred by Consultant in the performance of the Services, in accordance with the Company's business expense policies and guidelines.

(c) Taxes. Consultant shall be responsible for all income and other taxes due to any taxing authority with respect to the fees provided hereunder. The Company is not required to pay nor will Consultant invoice the Company for sales tax on Services. Each party shall be responsible for the payment of other taxes, if any, imposed upon it in connection with, or as a result of, this Agreement, except as provided in Section 5 of the accompanying Separation Agreement.

4. Term Of Agreement. This Agreement will commence on the Consulting Services Effective Date and shall continue through October 31, 2015 (the "Term"); provided that (a) either party may terminate the Term prior to October 31, 2015 upon written notice delivered to the other party at least two months prior to the date of such termination and (b) the Term shall expire immediately upon Consultant's death. Fees shall be paid until the Term ends or expires for any reason. Following the completion of the Term, this Agreement shall end, subject to the possible extension of the Term of this Agreement by mutual written agreement of the parties. If so extended, the parties shall execute an amendment to this Agreement or new Agreement to cover the terms and conditions of the extended Agreement.

5. Termination. Upon termination of this Agreement, the Company shall pay Consultant for fees and expenses incurred prior to the effective date of termination. Pursuant to its terms, Section 6 below will survive any expiration or termination of this Agreement.

6. Restrictive Covenants; Confidential Information. During the Term, Consultant shall remain subject to all continuing restrictive covenants and other continuing obligations as a former employee of the Company, including but not limited to all obligations included or referenced in the Non-Competition, Non-Solicitation and Confidentiality Agreement that Consultant agreed to in connection with restricted stock unit awards. Consultant shall also be independently subject under this Agreement to the obligation to maintain the confidentiality of all Confidential Information (as defined in Section 7 below) during the Term and at all times thereafter.

7. **Company Property.** On or before the last day of the Term, Consultant shall , to the extent not previously returned or delivered: (a) return all equipment, records, files, documents, data, programs or other materials and property in Consultant's possession, custody or control which relates or belongs to the Company or any one or more of its affiliates, including, without limitation, all, Confidential Information (defined below), computer equipment, access codes, messaging devices, credit cards, cell phones, keys and access cards; and (b) deliver all original and copies of confidential information, electronic data, notes, materials, records, plans, data or other documents, files or programs (whether stored in paper form, computer form, digital form, electronically or otherwise, on Company equipment or Consultant's personal equipment) that relate or refer in any to (1) the Company or any one or more of its affiliates, its business or its employees, or (2) the Company's Confidential Information or similar information. By signing this Agreement, Consultant represents and warrants that Consultant has not retained and has or shall timely return and deliver all the items described or referenced in subsections (a) or (b) above; and, that should Consultant later discover additional items described or referenced in subsections (a) or (b) above, Consultant shall promptly notify the Company and return/deliver such items to the Company. "Confidential Information" means information (1) disclosed to or known by Consultant as a consequence of or through his employment with the Company or one of its affiliates; and (2) which relates to any aspect of the Company's or an affiliate's business, research, or development, and shall include, but is not limited to, the Company's or an affiliate's trade secrets, proprietary information, business plans, marketing plans, financial information, employee performance, compensation and benefit information, cost and pricing information, identity and information pertaining to customers, suppliers and vendors, and their purchasing history with the Company, any business or technical information, design, process, procedure, formula, improvement, or any portion or phase thereof, that is owned by or has, at the time of termination, been used by the Company, any information related to the development of products and production processes, any information concerning proposed new products and production processes, any information concerning marketing processes, market feasibility studies, cost data, profit plans, capital plans and proposed or existing marketing techniques or plans, financial information, including, without limitation, information set forth in internal records, files and ledgers, or incorporated in profit and loss statements, fiscal reports, business plans or other financial or business reports, and information provided to the Company or an affiliate by a third party under restrictions against disclosure or use by the Company or others. Nothing in this Section shall be construed, however, to require Consultant to return to the Company any publicly available information or other information Consultant obtained by reason of his ownership of Company stock or debt.

8. **Warranties.** Consultant warrants that the Services (a) will be performed in a diligent and professional manner; (b) will conform to the provisions of this Agreement; and (c) will be performed in accordance with applicable laws.

9. **General Provisions.**

(a) Independent Contractor. Consultant understands and agrees that Consultant is serving as an independent contractor of the Company during the Term, and that Consultant is not an employee of the Company. Consultant further understands and agrees that the Company will not withhold any income or other taxes from the fees paid hereunder and that Consultant is responsible for paying Consultant's own income, social security, Medicare and other applicable taxes. Consultant further understands and agrees that Consultant will not have any right to the benefits under, or rights and privileges to participate in, the Company's employee benefit plans (all of which are made available only to the Company's employees), except as provided to him (i) as a former employee of the Company pursuant to the applicable plans or (ii) pursuant to the accompanying Separation Agreement. Consultant further agrees that any future reclassification of Consultant from independent contractor to employee status by a taxing authority will not confer upon Consultant eligibility for any retroactive or prospective Company benefits.

(b) Intellectual Property. Consultant agrees that all patentable or copyrightable ideas, writings, drawings, inventions, designs, parts, machines or processes developed solely as a result of, or in the course of, the Services shall be the property of the Company. Consultant herewith assigns all rights in such intellectual property to the Company, and shall supply all assistance reasonably requested in securing for the 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 the Company in applying or otherwise registering, in the Company's name, all rights to any such item. The Company has the right to grant licenses to make, use, buy or sell any product or service derived from the Services performed under this Agreement to its affiliates and subsidiaries.

(c) Conduct. Consultant will comply with all applicable Company policies during the Term, including, but limited to: (i) no smoking; (ii) drug-free environment; (iii) dress code; (iv) non-harassment; (v) travel/expense guidelines; (vi) all safety and security policies (including a prohibition against weapons), and (vii) computer security and use policies.

(d) Non-Assignment. Consultant may not assign or delegate this Agreement or any of Consultant's rights or obligations under this Agreement without the prior written consent of the Company. Any attempted assignment or delegation without the necessary consent shall be void. Subject to the provisions of this Section, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

(e) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. The parties shall execute two (2) originals of this Agreement (one for each party), whether or not executed in counterparts.

(f) Entire Agreement. Except as otherwise specified herein, this Agreement supersedes all prior understandings and agreements between the parties with respect to the subject matter hereof and may not be changed or terminated orally, and no change, termination or attempted waiver of any of the provisions hereof shall be binding unless in writing and signed by the party against whom the same is sought to be enforced.

(g) Governing Law. This Agreement shall be interpreted according to the laws of the State of Illinois.

[Signature Page to Follow]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto.

WALGREENS BOOTS ALLIANCE, INC.

By: /s/ Kathleen Wilson-Thompson

Name: Kathleen Wilson-Thompson

Title: EVP – Global CHRO

Dated: 5/28/2015

CONSULTANT

/s/ Timothy J. Theriault

Timothy J. Theriault

Dated: 5/28/2015

SEPARATION AGREEMENT, GENERAL RELEASE AND WAIVER

This Separation Agreement, General Release and Waiver (the "Agreement and Release") is entered into between **Jeffrey Berkowitz** ("I" or "Team Member") and Walgreens Boots Alliance, Inc. ("WBA") and Walgreen Co. ("Walgreens"). WBA and Walgreens are collectively referred to herein as the "Company," and, along with their respective parents, subsidiaries, affiliated companies, predecessors, successors and assigns, as the "Company Parties". This Agreement and Release describes the application of certain compensation, benefits, and other terms and conditions in connection with Team Member's termination of employment from the Company. Terms used herein but not otherwise defined shall have the meanings given to them in the Plan defined in paragraph 2 below. The parties agree as follows:

1. **Termination of Employment**. Team Member's termination of employment with the Company (the "Termination Date") shall be effective as of the date designated by the Company and communicated to Team Member in a separate Summary of Separation Benefits, as may updated from time to time prior to the final designated Termination Date.

2. **Consideration**. As consideration for agreeing to all terms and conditions of this Agreement and Release, Team Member shall receive all payments and benefits applicable to his or her position level under the terms of the Walgreens Boots Alliance, Inc. Executive Severance and Change in Control Plan, effective as of December 31, 2014, as amended from time to time before the date hereof (the "Plan"). These Plan payments and benefits are summarized in parts (a), (b) and (c) below, subject in all cases to the provisions of the Plan, which control in the event of any inconsistency or ambiguity. Team Member understands and agrees that these Plan benefits represent, at least in part, consideration for signing this Agreement and Release and are not salary, wages or benefits to which Team Member was already entitled, and such Plan benefits will not be provided unless Team Member executes this Agreement and Release and does not revoke this Agreement and Release within the time period permitted hereafter.

(a) Pro-rata Annual Incentive for the fiscal year in which the Termination Date occurs, pursuant to Section 4.01(a)(ii) of the Plan;*

(b) Severance Payment pursuant to Section 4.01(a)(ii) of the Plan – equal to the Severance Multiple that applies to Team Member's position level under Section 2.32 of the Plan; and

(c) Subsidized COBRA coverage as applicable under Section 4.01(c) of the Plan.

* To the extent the underlying Company incentive program provides for discretionary incentive payout adjustments based on individual performance, it is agreed that the calculation of Team Member's Pro-rata Annual Incentive shall not be adjusted up or down based on individual performance..

(d) As further consideration for agreeing to all terms and conditions of this Agreement and Release, to the extent Team Member has outstanding WBA stock options and/or restricted stock units granted in calendar year 2012 that are forfeited as of the Termination Date, Team Member shall also receive a pro-rated cash payment to be calculated as follows:

(i) Stock option: Payment amount (less tax withholdings) equal to (A) the number of shares subject to the stock option, multiplied by (B) the excess of the "WBA Stock Price" over the exercise price for such stock option, multiplied by (C) the number of full months from the grant date through the Termination Date divided by 36 months.

(ii) Restricted stock units: Payment amount (less tax withholdings) equal to (A) the number of units, multiplied by (B) the "WBA Stock Price," multiplied by (C) the number of full months from the grant date through the Termination Date divided by 36 months.

For purpose of the above, the "WBA Stock Price" shall be \$91.25, the average closing price of WBA common stock over the 30 trading days immediately preceding the first day of August 2015. Payment of this amount shall be made within 45 days following expiration of the revocation period of this Agreement and Release and, for the avoidance of doubt, shall not be considered by the parties to be nonqualified deferred compensation subject to Section 409A.

(e) Team Member shall receive the following remaining global assignment and repatriation benefits in full satisfaction of any remaining obligations of the Company to the Team Member under the Company's Long-Term Global Assignment Relocation Policy (the "Relo Policy"), the Assignment Agreement entered into between Team Member and Walgreen Co. as of November 15, 2012 (the "Assignment Agreement"), and any other verbal or written communications between the parties addressing this subject matter:

(i) Pursuant to the terms of the Assignment Agreement, continued tax advisory services and tax equalization for any tax years relating to Team Member's services for the Company which implicate foreign tax and/or tax equalization, to the extent not already paid or provided, including for any tax years not completed or filed or for which taxes may become due or are otherwise owed;

(ii) Pursuant to the Relo Policy, (A) movement of household goods back to Team Member's New Jersey home; (B) coverage of home and/or automobile lease termination costs; and (C) reinstatement in US health coverage;

(iii) In lieu of the loss on sale benefit that would have applied under the Relo Policy had Team Member sold his cars upon relocation to Switzerland, reimbursement of U.S. automobile maintenance for up to \$5,000 each for up to two vehicles; and

(iv) It is agreed that Team Member will not have to repay to the Company any relocation expense allowances, costs, or reimbursements.

Attached as Exhibit A and incorporated by reference is a Summary of Separation Benefits, which the Company represents and warrants is a true and accurate summary of the payments and benefits to be provided to Team Member, including references to the payments and benefits provided pursuant to the Plan and other company plans, programs and award agreements (collectively, the "Governing Documents"). In the event of any ambiguity or inconsistency between Exhibit A and any of the Governing Documents, the applicable Governing Document(s) shall control.

3. **General Release.** I hereby release and forever discharge as of the date hereof the Company Parties and their respective affiliates, subsidiaries and direct or indirect parent entities, including, but not limited to Walgreen Swiss International GmbH (Berne, Switzerland) and Walgreens Boots Alliance Development GmbH (Berne, Switzerland), and all present, former and future shareholders, directors, officers, agents, representatives, employees, successors and assigns of the Company and/or its respective affiliates, subsidiaries and direct or indirect parent entities (collectively, the "Released Parties") to the extent provided below in this Agreement and Release. The Released Parties are intended to be third-party beneficiaries of this General Release, and this General Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder

Except as provided in paragraphs 5, 7, 11, and 13 below and except for the provisions of the Plan which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my immediate family members, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date that this Agreement and Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my immediate family members, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation or termination from, the Company, including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990, as amended; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; or their US or foreign (including Swiss) state or local counterparts; or under any other US or foreign (including Swiss) federal, state or local civil or human rights law, or under any other US or foreign (including Swiss) local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters (all of the foregoing collectively referred to herein as the "Claims").

4. **No Assignment of Claims.** I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 3 above.

5. **Waiver of Rights.** I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever in respect of any Claim, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I am not waiving (i) any right to the Accrued Obligations described in Section 2.03 of the Plan or any severance benefits to which I am entitled under the Plan, (ii) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's organizational documents or otherwise, (iii) my rights as an equity or security holder in the Company or its Affiliates, (iv) my rights under any equity awards that survive termination of employment; (v) my rights under any retirement plan that is "qualified" under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), or (vi) my rights to non-qualified deferred compensation due under any applicable Company plans in which I have participated.

6. **Class and Collective Action Waiver.** In signing this Agreement and Release, I hereby agree not to bring or participate in any class or collective action against the Company and/or the other Released Parties that asserts, in whole or in part, any claims that arose before I signed this Agreement and Release, whether or not such claims (if brought by me individually) are released by this Agreement and Release.

7. **Government Agency Claims.** Nothing in this Agreement and Release, including the General Release provision in paragraph 3, the Release Given Full Force and Effect provision in paragraph 8, the Confidentiality provision in paragraph 10, the Non-Disparagement provision in paragraph 13, the Cooperation provision in paragraph 16, and the Consequences of a Breach provision in paragraph 18 should be read to prevent or prohibit me from filing a claim with a federal, state or local government agency that is responsible for enforcing a law on behalf of the government, such as the Equal Employment Opportunity Commission (“EEOC”), Department of Labor (“DOL”), National Labor Relations Board (“NLRB”) or Securities Exchange Commission (“SEC”) and their applicable state and/or local equivalents. Nor should anything in this Agreement and Release be read to deter or prevent me from cooperating with or providing information to such a governmental agency during the course of its investigation or during litigation. However, I understand and agree that I may not recover any monetary benefit as a result of any claim brought on my behalf by any government agency.

8. **Release Given Full Force and Effect.** In signing this Agreement and Release, except as set forth in paragraph 7, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this Agreement and Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any US or foreign (including Swiss) state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this Agreement and Release and that without such waiver I would not have become a Participant in the Plan. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this Agreement and Release shall serve as a complete defense to such Claims to the maximum extent permitted by law. I further agree that I am not aware of any pending claim of the type described herein as of the execution of this Agreement and Release.

9. **Non-Admissions.** I agree that neither this Agreement and Release, nor the furnishing of the consideration for this Agreement and Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

10. **Confidentiality.** Except as set forth in paragraph 7 or as disclosed by the Company in any public filings, I agree that this Agreement and Release and the benefits to which I am entitled under the Plan are confidential and agree not to disclose any information regarding the terms of this Agreement and Release or the Plan, except to my immediate family and any tax, legal or other counsel that I have consulted regarding the meaning or effect hereof or to a successor employer respecting the terms of any restrictive covenants to which I may be subject, or as required by law, and I will instruct each of the foregoing not to further disclose the same to anyone

In addition, I agree not to use or disclose any Confidential Information, as defined below, to any person or entity other than the Company, either before or after the Termination Date, without the Company's prior written consent. Confidential Information means information not generally known by the public about processes, systems, products or services, including proposed products or services, business information, pricing, sales, promotions, financial performance, know-how, or trade secrets of the Company.

11. **Regulatory Disclosures.** Any non-disclosure provision in this Agreement and Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this Agreement and Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other regulatory organization or any governmental entity.

12. **Knowledge of Potential Claims.** I represent that I am not aware of any claim by me other than the Claims that are released by this Agreement and Release. I acknowledge that I enter into this Agreement and Release despite understanding that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the Agreement and Release set forth in paragraph 3 above and which, if known or suspected at the time of entering into this Agreement and Release, may have materially affected this Agreement and Release and my decision to enter into it.

13. **Non-Disparagement.** Except as set forth in paragraph 7, I agree that I will not make derogatory statements, either written or oral, or otherwise disparage any Released Party or the Company's products or services, except as may be required by law. Nor shall I direct, arrange or encourage others to make any such derogatory or disparaging statements on my behalf.

14. **Non-Solicitation.** I agree that for two years after my Termination Date 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 which I learned confidential information regarding 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 knowingly, 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.

15. **Return of Property.** I agree that, no later than my Termination Date, I will have returned all Company property, and no Company property has been retained by me, regardless of the form in which it was acquired or held by me.

16. **Cooperation.** Subject to paragraphs 7 and 11 above, I agree at all times to fully and completely cooperate with the Company and its agents and representatives, without additional compensation, during and in connection with all litigation, potential litigation, internal or external investigations, and business matters in which the Company is involved or may become involved, subject to reimbursement of reasonable travel expenses if travel is requested and approved in advance by the Company.

17. **Repayment Upon Rehire.** I acknowledge that I am obligated to repay all Plan benefits to the Company if I am rehired by any Company Party within 30 days of the Termination Date. If I am rehired by any Company Party more than 30 days after the Termination Date, I may keep Plan benefits covering the portion of the Severance Period between the Termination Date and rehire date, but must repay the remainder of Plan benefits to the Company. I further acknowledge that I am not eligible for rehire until I make the repayment described herein.

18. **Consequences of Breach.** I agree that Plan benefits and any other consideration listed in paragraphs 2(a)-2(d) above (collectively, the "Consideration") are conditioned on my material compliance with all of my commitments set forth in this Agreement and Release. In the event of any material breach of this Agreement and Release by me, the Company shall be entitled to discontinue payment of all of the Consideration not already paid to me. In addition, I acknowledge that the Confidentiality, Non-Disparagement and Non-Solicitation covenants of this Agreement and Release are necessary to enable the Company to maintain its competitive position and any actual or threatened material breach of any of these covenants will result in irreparable and continuing damage to the Company for which there will be no adequate remedy at law. In the event of any actual or threatened material breach of these covenants, the Company shall be entitled to injunctive relief, including the right to a temporary restraining order, and other relief, including damages, as may be proper. The foregoing stipulated damages and remedies of the Company are in addition to, and not to the exclusion of, any other damages the Company may be able to prove. In any legal action to enforce the terms of this Agreement and Release, the prevailing party shall be entitled to collect its reasonable attorney's fees and court costs from the non-prevailing party.

19. **No Future Waiver.** Notwithstanding anything in this Agreement and Release to the contrary, this Agreement and Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Plan that occurs after the date hereof. I further agree that this Agreement and Release does not waive or release any rights or claims that I may have, including under the Age Discrimination in Employment Act, which arise after the date I execute this Agreement and Release.

20. **Governing Law and Severability.** Federal or state law within the State of Illinois shall govern the validity, enforcement and interpretation of this Agreement and Release notwithstanding any state's choice of law provisions to the contrary. In the event any portion of this Agreement and Release is held 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 any other provision or any other jurisdiction, but this Agreement and Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

21. **Section 409A.** This Agreement and Release is intended to comply with the requirements of Section 409A of the Code, and shall be interpreted and construed consistently with such intent. The payments to Team Member pursuant to this Agreement and Release are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption or as short-term deferrals, and for this purpose each payment shall constitute a "separately identified" amount within the meaning of Treasury Regulation Section 1.409A-2(b)(2). Notwithstanding any other provision in this Agreement and Release, if Team Member is a "specified employee," as defined in Section 409A of the Code, as of the date of Team Member's separation from service, then to the extent any amount payable to Team Member constitutes the payment of non-qualified deferred compensation, within the meaning of Section 409A of the Code, is payable upon Team Member's separation from service, and under the terms of this Agreement and Release would be payable prior to the six-month anniversary of Team Member's separation from service, such payment shall be delayed until the earlier to occur of (a) the first business day following the six-month anniversary of the separation from service, and (b) the date of Team Member's death. To the extent that reimbursements or other in-kind benefits under this Agreement and Release constitute "nonqualified deferred compensation" for purposes of Section 409A of the Code, (A) all expenses or other reimbursements hereunder shall be made on or before the last day of the taxable year following the taxable year in which such expenses were incurred by the Team Member, (B) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (C) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

22. **Complete Agreement.** This Agreement and Release, as well as its Exhibit A, constitutes the parties' entire agreement and cancels, supersedes, and replaces any and all prior proposals, understandings, and agreements (written, oral or implied) regarding all matters addressed herein, except Team Member shall continue to be bound by all obligations set forth in any prior agreements, undertakings, waivers and assignments involving confidential information, inventions, non-competition, non-solicitation, non-inducement, patents, copyrights, trademarks and other intellectual property, and compliance with laws and policies, specifically including but not limited to the Non-Competition, Non-Solicitation and Confidentiality Agreement(s) executed by Team Member in connection with one or more Company Restricted Stock Unit grants. The terms of this Agreement and Release may not be altered or modified except by written agreement of Team Member and the Company. In connection with this Agreement and Release's acceptance and execution, neither Team Member nor the Company is relying on any representation or promise that is not expressly stated in this Agreement and Release.

23. **Successors.** This Agreement and Release shall inure to the benefit of and be enforceable by Team Member and by Team Member's personal or legal representatives, executors and administrators and by the Company and its successors and assigns. In the event of the death of Team Member while any amounts are payable to Team Member hereunder, all such amounts, unless otherwise provided herein or in the Plan, shall be paid in accordance with the terms of this Agreement and Release to Team Member's estate.

24. BY SIGNING THIS AGREEMENT AND RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY; AND I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(b) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(c) THE COMPANY HAS ADVISED ME TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(d) I HAVE HAD AT LEAST 45 DAYS FROM THE DATE OF MY RECEIPT OF THIS AGREEMENT AND RELEASE TO CONSIDER IT, AND THE CHANGES MADE SINCE MY RECEIPT OF THIS AGREEMENT AND RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED 45-DAY PERIOD;

(e) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS AGREEMENT AND RELEASE TO REVOKE IT AND THAT THIS AGREEMENT AND RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED (NOTICE OF REVOCATION MUST BE RECEIVED BY THE DIRECTOR, EMPLOYMENT LAW, WITHIN THE SEVEN (7) DAY PERIOD: MAIL: 104 WILMOT ROAD, MS #1416, DEERFIELD, ILLINOIS 60015; FAX: (847) 368-6805.

(f) I HAVE RECEIVED, TOGETHER WITH THIS AGREEMENT AND RELEASE, A LISTING OF THE JOB TITLES AND AGES OF THE TEAM MEMBERS IN THE PORTION OF WALGREENS' WORKFORCE FROM WHICH I WAS SELECTED FOR TERMINATION WHO WERE SELECTED AND NOT SELECTED FOR TERMINATION;

(g) I HAVE SIGNED THIS AGREEMENT AND RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(h) I AGREE THAT THE PROVISIONS OF THIS AGREEMENT AND RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

Dated: 9/25/15

/s/ Jeffrey Berkowitz
Participant Signature

Jeffrey Berkowitz
Participant Name

Dated: 10/14/15

/s/ Kathleen Wilson-Thompson
Company Representative
Kathleen Wilson-Thompson
EVP and Global Chief Human Resources Officer

Please sign above within the time period specified in paragraph 24(d) above, and then return all 6 pages of this Agreement and Release to your direct manager or in the attached prepaid envelope. The other copy of the Agreement and Release is for you to sign and retain for your records.

Please note that you are not authorized to make any changes to this Agreement and Release. Any such changes will void the Agreement and Release.

Summary of Separation Benefits for Jeffrey Berkowitz

This is a summary of your separation benefits for which you are eligible based on the Termination Date listed below.

Termination Date	07/14/2015	Hire Date	09/27/2010 (4 yrs., 9 mos.)	
		Age	49	
Paid Time Off ("PTO")	Your accrued unused PTO and unused frozen vacation hours will be paid to you in a lump sum within four (4) weeks of your termination date.			
Severance	\$2,359,800.00 (equal to 24 months' salary plus target bonus, gross amount, paid monthly over the 24-month severance period)			
Additional Cash Payment	Total estimated payment of \$3,596,172, consisting of the following amount(s):			
	<ul style="list-style-type: none"> \$2,717,280, representing make-up pro-rated payment estimate for forfeited stock option granted in 2012 (gross amount paid in a lump sum) ¹ \$878,892, representing make-up pro-rated payment estimate for forfeited restricted stock units granted in 2012 (gross amount paid in a lump sum) ¹ 			
Fiscal 2015 Bonus	Pro-rated FY 2015 bonus, based on eligible earnings and adjusted for company performance, to be paid in November 2015.			
Global Assignment and Repatriation	See paragraph 2(e) of Separation Agreement, General Release and Waiver for listing of remaining benefits.			
Executive and Omnibus Plan Stock Options	Options become vested three years after grant date.			
	<i>Options awarded under the Executive Stock Option Plan prior to 1/9/2013:</i>			
	Exercise vested options within 60 days following your Termination Date or by the expiration date, whichever is sooner. Remaining unvested or unexercised stock options are forfeited.			
	<u>Grant Date</u>	<u>Options Granted/ Outstanding</u>	<u>Grant Price</u>	<u>Status</u>
	9/27/2010	37,633	\$ 30.35	Vested
	9/1/2011	31,488	\$ 35.65	Vested
	11/1/2012	54,833	\$ 35.50	Forfeit
	<i>Options awarded under the 2013 Omnibus Incentive Plan between 1/9/2013 and 10/31/2014:</i>			
	Unvested options will be deemed to have 1 year of additional service credit as of your Termination Date. Exercise vested options within 60 days following your Termination Date or by the expiration date, whichever is sooner. Remaining unvested or unexercised options are forfeited.			
	<u>Grant Date</u>	<u>Options Granted/ Outstanding</u>	<u>Grant Price</u>	<u>Status</u>
	11/1/2013	46,954	\$ 60.52	Forfeit

¹ Value based on the average Walgreen Boots Alliance, Inc. closing stock price for the 30 trading days prior to the month of August 2015.

Summary of Separation Benefits for Jeffrey Berkowitz

This is a summary of your separation benefits for which you are eligible based on the Termination Date listed below.

Options awarded under the 2013 Omnibus Incentive Plan on 11/1/2014:

Exercise vested options within 90 days following your Termination Date or by the expiration date, whichever is sooner. Remaining unvested or unexercised options are forfeited.

Grant Date	Options Granted/ Outstanding	Grant Price	Status
11/1/2014	43,416	\$ 64.22	Forfeit

Options may only be exercised during an open trading window.

Please refer to your Fidelity account (www.Fidelity.com) to view and/or exercise your outstanding stock option awards. Detailed terms and conditions for each award can be found in the Grant Agreement under the "grant details" link.

**Restricted
Stock Units**

RSUs become vested and distributed in shares of Walgreens Boots Alliance, Inc. stock after a three-year vesting period.

RSUs granted under the Long-Term Performance Incentive Plan:

Unvested RSUs are forfeited.

Grant Date	RSUs Granted	Status
11/1/2012	10,835.654	Forfeit

RSUs granted under the 2013 Omnibus Incentive Plan:

Unvested RSUs granted prior to 11/1/2014 vesting within 12 months of the Termination Date will vest on the Termination Date. Remaining unvested RSUs are forfeited.

Grant Date	RSUs Granted	Status
11/1/2013	8,155.070	Forfeit
9/15/2014	14,540.438	Special grant vested 40% on closing of AB Step 2; remaining 60% vests on Termination Date
11/1/2014	6,472.213	Forfeit

Shares may only be sold during an open trading window.

**Performance
Shares**

Earned award is based on Company performance over a three-year period.

PSPs granted under the Long-Term Performance Incentive Plan:

Forfeit all unvested awards.

Grant Date	Contingent Award	Status
11/1/2012	(target) 16,559	Forfeit

PSPs granted under the 2013 Omnibus Incentive Plan:

Unvested performance shares granted on 11/1/2013 will be prorated based on the number of full months worked in the performance period and distributed based on actual company performance after the completion of the performance period. Unvested performance shares granted on 11/1/2014 or later are forfeited.

Summary of Separation Benefits for Jeffrey Berkowitz

This is a summary of your separation benefits for which you are eligible based on the Termination Date listed below.

Grant Date	Contingent Award	Status
11/1/2013	(target) 13,048	To be prorated
11/1/2014	(target) 10,361	Forfeit

Shares may only be sold during an open trading window.

Profit Sharing Plan and Executive Deferred Profit Sharing Plan	<p>If you are an active participant in the Walgreens Profit-Sharing Plan, profit sharing deductions and match apply to PTO and frozen vacation payment but not severance payment.</p> <p>Your options for your account balance under the Profit Sharing Plan are:</p> <ul style="list-style-type: none"> choose to have your account distributed to you in monthly or annual installments or a single lump sum, or leave your money in the Plan and defer payment (and taxes) to some later date, but you must begin receiving payments when you reach age 70½, or defer income tax, by rolling your Plan account balance into a new employer's plan (if allowed) or an IRA. <p>You will receive information regarding the timing and form of payment of your current balance in the Executive Deferred Profit Sharing Plan.</p>
Deferred Compensation/ Capital Accumulation	Your deferral plus interest will be paid to you in a lump sum following termination.
Other Benefits	<p>If you are currently enrolled in Walgreens medical (including prescription drug), dental and/or vision insurance, your coverage will continue through the last day of the month in which your employment is terminated. Disability insurance coverage ends on your last day worked.</p> <p>Reimbursement of premiums for COBRA coverage with respect to medical (including prescription drug), dental and/or vision insurance for the COBRA period, but not more than 24 months after your active benefit coverage has ended to the extent such premiums exceed the premiums payable for similar coverage by active team members.</p>
Payment Timing	Timing of payment of severance, vested RSUs, deferred compensation and potentially other elements may be delayed until after the six-month anniversary of the Termination Date, as required to comply with tax rules (Internal Revenue Code Section 409A). You will be notified if any such payment delays apply to you.

This is a summary of benefits. To the extent that this summary is different than any provision of the applicable plan documents, then the terms of the plan documents shall apply.

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

	Twelve Months Ended August 31,					
	2015	2014	2013	2012	2011	2010
Income before income tax provision	\$ 5,311	\$ 3,557	\$ 4,047	\$ 3,376	\$ 4,294	\$ 3,373
Add:						
Minority Interests	-	-	5	-	-	-
Fixed charges	2,054	1,376	1,383	1,260	1,212	1,100
Amortization of capitalized interest	1	6	7	6	5	-
Less:						
Equity earnings	(315)	(617)	(496)	-	-	-
Capitalized interest	(1)	(6)	(7)	(9)	(10)	(12)
Earnings as defined	<u>\$ 7,050</u>	<u>\$ 4,316</u>	<u>\$ 4,939</u>	<u>\$ 4,633</u>	<u>\$ 5,501</u>	<u>\$ 4,461</u>
Interest expense, net of capitalized interest	\$ 632	\$ 168	\$ 193	\$ 94	\$ 77	\$ 90
Capitalized interest	1	6	7	9	10	12
Portions of rentals representative of the interest factor	1,421	1,202	1,183	1,157	1,125	998
Fixed charges as defined	<u>\$ 2,054</u>	<u>\$ 1,376</u>	<u>\$ 1,383</u>	<u>\$ 1,260</u>	<u>\$ 1,212</u>	<u>\$ 1,100</u>
Ratio of earnings to fixed charges	3.43	3.14	3.57	3.68	4.54	4.06

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

As of August 31, 2015 Walgreens Boots Alliance, Inc. (Registrant) had the following subsidiaries:

NAME	STATE OR COUNTRY OF INCORPORATION
Hydra Pharm SPA	Algeria
Smart Insurance Company	Arizona
Walgreen Arizona Drug Co.	Arizona
Consolidated Stores, Inc.	Arkansas
Pharm-Mart Pharmacy of Warren, Inc.	Arkansas
Rich Mountain Pharmaceutical Services, Inc.	Arkansas
S & W Pharmacy, Inc.	Arkansas
Stephen L. LaFrance Pharmacy, Inc.	Arkansas
Salu Australia Pty Ltd	Australia
Skincarestore Australia Pty Ltd	Australia
Superior Bermuda GP	Bermuda
Casa Saba Brasil Holdings, Ltda	Brazil
Distrilife, Distribuidora Atacadista de Suplementos Alimenticios, Ltda	Brazil
Brandhandling International Limited	British Virgin Islands
Sunamerica Affordable Housing Partners XI, a California Limited Partnership	California
DS Distribution Canada Ltd.	Canada
Walgreen Canada Limited	Canada
Walgreen Drug (Ontario) Limited	Canada
AB Acquisitions FX Pref Limited	Cayman Islands
AB Property Holdings Limited	Cayman Islands
Ontario CI 1 Limited	Cayman Islands
Ontario CI 2 Limited	Cayman Islands
Ontario CI 3 Limited	Cayman Islands
Ontario CI 4 Limited	Cayman Islands
Walgreen Asia Holding Ltd.	Cayman Islands
WBAD CI 1 Limited	Cayman Islands
WBAD CI 2 Limited	Cayman Islands
ABF, Administradora de Beneficios Farmacéuticos S.A.	Chile
Administradora Fasa, S.A.	Chile
Alliance Boots Chile SpA	Chile
Comercial Farmacéutica S.A.	Chile
Comercializadora y Distribuidora BF S.A.	Chile
Compañía de Nutrición General S.A.	Chile
Droguería, Distribuidora y Logística DLI S.A.	Chile
Farmacías Ahumada S.A.	Chile
Fasa Chile S.A.	Chile
Fasa Investment Limitada	Chile
Inmobiliaria Avantuen S.A.	Chile
Inmobiliaria Faster S.A.	Chile
Inmobiliaria Gestión Punto Retail S.A.	Chile
Inversiones Internacionales Inverfar S.A.	Chile
Laboratorios MDK S.A.	Chile
Guangzhou Pharmaceuticals Corporation	China
Nanjing Pharmaceutical Company Limited	China
Walgreen Asia Trading Ltd.	China
Walgreens China Business Trust	China
Spa Strategy, Inc.	Colorado
Oktal Pharma d.o.o.	Croatia
A.P. Apteka Holding Limited	Cyprus
Lex-Dart Enterprises Limited	Cyprus
Alliance Healthcare s.r.o.	Czech Republic
Pharmdata s.r.o.	Czech Republic
Boots Retail Holdings (USA) Inc.	Delaware
Boots Retail USA Inc.	Delaware
CG Transportation, LLC	Delaware
Circa LLC	Delaware

Cystic Fibrosis Foundation Pharmacy, LLC	Delaware
DR Employee Services, LLC	Delaware
DRI I Inc.	Delaware
DS Pharmacy, Inc.	Delaware
Duane Reade Holdings, Inc.	Delaware
Duane Reade Inc.	Delaware
Duane Reade International, LLC	Delaware
Duane Reade Realty, Inc.	Delaware
East West Distributing Co., LLC	Delaware
Happy Harry's Discount Drug Stores, Inc.	Delaware
Happy Harry's, Inc.	Delaware

HC Group Holdings I, LLC	Delaware
Healthcare Clinic Solutions, LLC	Delaware
HHDH Corp.	Delaware
Lake Cook Investments, LLC	Delaware
LVD Sourcing LLC	Delaware
MedAvail, Inc.	Delaware
Onsite Holding LLC	Delaware
Pharma Dynamics, Inc.	Delaware
Rockville Travilah Square, LLC	Delaware
S&G US Holding LLC	Delaware
Salu Beauty, Inc.	Delaware
SIC Parent, LLC	Delaware
Smart Insurance Company Holdings, Inc.	Delaware
Smart Insurance Group Holdings, Inc	Delaware
Soap & Glory USA LLC	Delaware
Stephen L. LaFrance Holdings, Inc.	Delaware
Super D Drugs Acquisition Co.	Delaware
Take Care Health Systems, LLC	Delaware
USA/Super D Franchising, Inc.	Delaware
WAB Holdings LLC	Delaware
WAGDCO, LLC	Delaware
WAGHID, LLC	Delaware
Walgreen International Investments LLC	Delaware
Walgreen Investments Co	Delaware
Walgreens Assistance, Inc.	Delaware
Walgreens Boots Alliance, Inc.	Delaware
Walgreens Infusion Services Holding, Inc.	Delaware
Walgreens Network Health Services, LLC	Delaware
Walgreens of North Carolina, Inc.	Delaware
Walgreens Sleep and Respiratory Services, LLC	Delaware
Walgreens Specialty Care Centers, LLC	Delaware
Walgreens Specialty Pharmacy Holdings, Inc.	Delaware
Walgreens Specialty Pharmacy, LLC	Delaware
Walgreens Store No. 3332, LLC	Delaware
Walgreens Store No. 4650, LLC	Delaware
Walgreens Store No. 4651, LLC	Delaware
Walgreens Store No. 5576, LLC	Delaware
Walgreens Store No. 5838, LLC	Delaware
Walgreens Well Network of Sacramento, LLC	Delaware
Waltrust Properties, Inc.	Delaware
WBA Financial, Inc	Delaware
WBA Investments, Inc.	Delaware
Well Ventures, LLC	Delaware
WRA Partners, LLC	Delaware
United Company of Pharmacists SAE	Egypt
Alcura France	France
Alliance Healthcare Formation	France
Alliance Healthcare France SA (AHF)	France
Alliance Healthcare Group France	France
Alliance Healthcare Répartition	France
Alloga France	France
Almus France	France
Alphega	France
BCM Cosmetique SAS	France
Datapharm	France
Directlog	France
S.R.P. (Services de la Répartition Pharmaceutique)	France
Serex	France
Skills in Healthcare France	France
WBA France Finance SAS	France
academicPharm GmbH	Germany

Alliance Healthcare Deutschland AG	Germany
Alliance Healthcare Deutschland Holdings 1 GmbH	Germany
Alphega Apothekenpartner GmbH	Germany
ANZAG Rostock GmbH & Co. KG	Germany
ANZAG Rostock Grundstücks-Verwaltungsgesellschaft mbH	Germany
AS Logistik GmbH	Germany
BCM Kosmetik GmbH	Germany
Carcinomacare Consult GmbH	Germany
CPL Pharma Lager und Vertrieb GmbH	Germany
GESDAT Gesellschaft für Informationsmanagement mbH	Germany
LOXXESS Pharma GmbH	Germany
Megapharm GmbH Pharmazeutische Erzeugnisse	Germany
Skills in Healthcare GmbH Deutschland	Germany
Soap & Glory GmbH	Germany
vitasco GmbH	Germany
Walgreen of Hawaii, LLC	Hawaii
Walgreen of Maui, Inc.	Hawaii
AA Asia Limited	Hong Kong
Alliance Boots Sourcing (Hong Kong) Limited	Hong Kong

Alliance Healthcare Asia Pacific Limited	Hong Kong
Alliance Healthcare Hong Kong Limited	Hong Kong
Walgreens (Hong Kong) Limited	Hong Kong
Bond Drug Company of Illinois, LLC	Illinois
Bowen Development Company	Illinois
Deerfield Funding Corporation	Illinois
Medication Adherence Solutions, LLC	Illinois
The 1901 Group, LLC	Illinois
The Patient Safety Research Foundation, Inc.	Illinois
WagBeau LLC	Illinois
Walgreen Co.	Illinois
Walgreen Market Strategies LLC	Illinois
Walgreen Medical Supply, LLC	Illinois
Walgreen Mercantile Corporation	Illinois
Walgreen National Corporation	Illinois
Walgreen Pharmacy Services Eastern, LLC	Illinois
Walgreen Pharmacy Services Midwest, LLC	Illinois
Walgreen Pharmacy Services Southern, LLC	Illinois
Walgreen Pharmacy Services Western, LLC	Illinois
Walgreen Pharmacy Services WHS, LLC	Illinois
Walgreen Realty Resources LLC	Illinois
Walgreens Business Services, LLC	Illinois
Walgreens Community Development Corporation	Illinois
Walgreens Mail Service, Inc	Illinois
Walgreens Pharmacy Strategies, LLC	Illinois
Walgreens Store No. 3680, LLC	Illinois
Walgreens Store No. 7839, LLC	Illinois
Walgreens.com, Inc	Illinois
AB Acquisitions (Ireland) 2 Limited	Ireland
AB Acquisitions (Ireland) Limited	Ireland
Alliance Healthcare Limited	Ireland
Boots Retail (Ireland) Limited	Ireland
Woodglen Properties Limited	Ireland
Alliance Healthcare Italia (IT Services) Srl	Italy
Beachcourse Italia S.r.l.	Italy
Boots Contact Lenses Limited	Jersey
Armila UAB	Lithuania
Ramuneles Vaistine UAB	Lithuania
Walgreen Louisiana Co., Inc.	Louisiana
AB Acquisitions Luxco 1 S.à r.l.	Luxembourg
AB Acquisitions Luxco 2 S.à r.l.	Luxembourg
AB Acquisitions Luxco 2A S.à r.l.	Luxembourg
AB Acquisitions Luxco 3 S.à r.l.	Luxembourg
AB Acquisitions Luxco 3A S.à r.l.	Luxembourg
AB Acquisitions Luxco 4 S.à r.l.	Luxembourg
AB Acquisitions Luxco 5 S.à r.l.	Luxembourg
AB Acquisitions Luxco 5A S.à r.l.	Luxembourg
AB Acquisitions Luxco 6 S.à r.l.	Luxembourg
AB Acquisitions Luxco 7 S.à r.l.	Luxembourg
AB Acquisitions Luxco 8 S.à r.l.	Luxembourg
AB Acquisitions Luxco 8A S.à r.l.	Luxembourg
AB Acquisitions Luxco 9 S.à r.l.	Luxembourg
Alliance Boots Luxco Property Company S.à r.l.	Luxembourg
Alliance Boots Luxembourg S.à r.l.	Luxembourg
Alloga S.à r.l.	Luxembourg
Prewos 1 S.à r.l.	Luxembourg
Superior Luxco 1 S.à r.l.	Luxembourg
Superior Luxco 2 S.à r.l.	Luxembourg
Superior Luxco 3 S.à r.l.	Luxembourg
Walgreen Asia Services S.à r.l.	Luxembourg
Walgreen International S.à r.l.	Luxembourg

Walgreen Investments Luxembourg SCS	Luxembourg
CareMeTX, LLC	Maryland
Cystic Fibrosis Services, Inc.	Maryland
Eager Park Pharmacy and Health Services, LLC	Maryland
Walgreens of Massachusetts, LLC	Massachusetts
Benavides de Reynosa, S.A. de C.V.	Mexico
Comercializadora y Servicios Benavides, S.A. de C.V.	Mexico
Exportadora Regional del Norte de Mexico, S.A. de C.V.	Mexico
Farmacias ABC de Mexico, S.A. de C.V.	Mexico
Farmacias Benavides S.A.B. de C.V.	Mexico
Servicios Ejecutivos Benavides, S.A. de C.V.	Mexico
Servicios Generales Benavides, S.A. de C.V.	Mexico
Servicios Logisticos Benavides, S.A. de C.V.	Mexico
Servicios Operacionales Benavides, S.A. de C.V.	Mexico
Walgreens Boots Alliance Services MC S.A.M.	Monaco
Walgreen Hastings Co.	Nebraska
AB Acquisitions Nederland Holdco 1 B.V.	Netherlands
Alliance Boots B.V.	Netherlands
Alliance Boots Holdings B.V.	Netherlands

Alliance Healthcare Management Services (Nederland) B.V.	Netherlands
Alliance Healthcare Nederland B.V.	Netherlands
Alloga (Nederland) B.V.	Netherlands
Apotheek Hagi B.V.	Netherlands
Apotheek Lichtenvoorde B.V.	Netherlands
Boots Nederland B.V.	Netherlands
Euro Registratie Collectief B.V.	Netherlands
Hedef International Holdings BV	Netherlands
Kring apotheek B.V.	Netherlands
Libra C.V.	Netherlands
Spits B.V.	Netherlands
Stephar B.V.	Netherlands
Walgreen of New Mexico, Inc.	New Mexico
Duane Reade	New York
Walgreen Eastern Co., Inc.	New York
Walgreens Store No. 3288, LLC	New York
Alliance Healthcare Norge AS	Norway
Boots Norge AS	Norway
Snipetjernveien 10 AS	Norway
May's Drug Stores, Inc.	Oklahoma
Med-X Corporation	Oklahoma
M-X Corporation	Oklahoma
Prodak Kosmetik Spolka z o.o.	Poland
Alliance Healthcare S.A.	Portugal
Alliance Santé - Distribuição Farmacêutica de Eulália Baeta Pereira e Ramalho Fernandes, S.A.	Portugal
Walgreen of Puerto Rico, Inc.	Puerto Rico
Walgreen of San Patricio, Inc.	Puerto Rico
FARMEPERT D.C.I. SRL	Romania
Skills in Healthcare Romania S.r.l.	Romania
AO Apteka-Holding	Russia
OOO Alliance Healthcare Rus	Russia
OOO Apteka Holding 1	Russia
OOO Okulus-Sever	Russia
Alliance Boots Scottish Limited Partnership	Scotland
B&B Capital Partners (SLP GP) Ltd	Scotland
B&B Capital Partners (SLP) L.P.	Scotland
Boots 2 Property Partnership	Scotland
Boots 2 Property Scottish Limited Partnership	Scotland
Boots Propco D Limited	Scotland
Boots Propco E Limited	Scotland
Boots Propco F Limited	Scotland
Boots Propco G Limited	Scotland
Boots Propco H Limited	Scotland
Boots Property Partnership	Scotland
Boots Property Scottish Limited Partnership	Scotland
Burrells Limited	Scotland
Coatbridge Dispensary Limited	Scotland
DDM Healthcare Limited	Scotland
Easterhouse Health Centre Pharmacy Limited	Scotland
Govanhill Pharmacy Limited	Scotland
Holmscroft H.C. Limited	Scotland
Maryhill Dispensary Limited	Scotland
Ontario Scottish Partnership	Scotland
W.H.C.P. (Dundee) Limited	Scotland
Walgreens Boots Alliance Scottish LP	Scotland
WBA 1 Scottish LLP	Scotland
WBA 2 Scottish LLP	Scotland
Woodside Pharmacy (Glasgow) Limited	Scotland
Boots Singapore Private Limited	Singapore
Alcura Health España, S.A.	Spain
Alianza del Sur S.A.	Spain

Alliance Healthcare España Holdings, S.L.	Spain
Alliance Healthcare España S.A.	Spain
Alloga Logistica (España), S.L.	Spain
Almus Farmaceutica, S.A.	Spain
Centro Auxiliar de Distribucion Farmaceutica, S.A.	Spain
Centro Farmaceutico Asturiano, S.A.	Spain
Nexiapharma, S.L.	Spain
Boots Farmaceutföretagarna AB	Sweden
AH Schweiz GmbH	Switzerland
Alliance Boots GmbH	Switzerland
Alliance Boots Schweiz Investments GmbH	Switzerland
Alliance Boots Services GmbH	Switzerland
Boots IP GmbH	Switzerland
Walgreen Swiss International GmbH	Switzerland
Walgreens Boots Alliance Development GmbH	Switzerland
Aromatherapy Associates, Inc	Texas
Vision Direct Inc.	Texas
Boots Retail (Thailand) Limited	Thailand
Alliance Healthcare Turkey Holding A.S.	Turkey

Esko Itriyat Sanayi ve Ticaret Anonim Sirketi	Turkey
Hedef - Alliance Holding Anonim Şirketi	Turkey
Hedef Ecza Deposu Ticaret Anonim Şirketi	Turkey
Nareks Ecza Deposu Ticaret Anonim Şirketi	Turkey
Skills in Healthcare Pazarlama ve Tanıtım Hizmetleri Anonim Şirketi	Turkey
A.T. Pharma Consultancy FZC	United Arab Emirates
AB Acquisitions FX Inter Limited	United Kingdom
AB Acquisitions UK Holdco 2 Limited	United Kingdom
AB Acquisitions UK Holdco 5 Limited	United Kingdom
AB Acquisitions UK Holdco 6 Limited	United Kingdom
AB Acquisitions UK Holdco 7 Limited	United Kingdom
AB Acquisitions UK Topco Limited	United Kingdom
Alcura UK Limited	United Kingdom
Alliance BMP Limited	United Kingdom
Alliance Boots (Nominees) Limited	United Kingdom
Alliance Boots Group Limited	United Kingdom
Alliance Boots Holdings 1 Limited	United Kingdom
Alliance Boots Holdings 2	United Kingdom
Alliance Boots Holdings Limited	United Kingdom
Alliance Boots International Limited	United Kingdom
Alliance Boots Investments 2 Limited	United Kingdom
Alliance Boots Latin America Limited	United Kingdom
Alliance Boots Limited	United Kingdom
Alliance Boots PropCo A LLP	United Kingdom
Alliance Boots PropCo B LLP	United Kingdom
Alliance Boots PropCo Beeston LLP	United Kingdom
Alliance Boots PropCo C LLP	United Kingdom
Alliance Boots PropCo Retail Flex LLP	United Kingdom
Alliance Boots PropCo Unichem Flex LLP	United Kingdom
Alliance Boots PropCo Unichem LLP	United Kingdom
Alliance Healthcare (Distribution) Limited	United Kingdom
Alliance Healthcare (IT Services) Limited	United Kingdom
Alliance Healthcare Management Services Limited	United Kingdom
Alliance UniChem Investments 4 Limited	United Kingdom
Alliance UniChem IP Limited	United Kingdom
Alliance UniChem PWS JV Limited	United Kingdom
Alloga UK Limited	United Kingdom
Almus Pharmaceuticals Limited	United Kingdom
Aroma Actives Limited	United Kingdom
Aromatherapy Associates Limited	United Kingdom
Aromatherapy Investments Holding Limited	United Kingdom
Aromatherapy Investments Limited	United Kingdom
B&B Capital Partners (GP) Ltd	United Kingdom
B&B Capital Partners L.P.	United Kingdom
B&B Investment Partners LLP	United Kingdom
B.H.C.P. Limited	United Kingdom
BCM Employment & Management Services Limited	United Kingdom
BCM Limited	United Kingdom
BCM Specials Limited	United Kingdom
Beachcourse Limited	United Kingdom
Beccles H.C.C. Limited	United Kingdom
Beeston Site Services Limited	United Kingdom
Bellpharm Limited	United Kingdom
Blyth Pharmacy Limited	United Kingdom
Boots Benevolent Fund	United Kingdom
Boots Charitable Trust	United Kingdom
Boots Delivery Services Limited	United Kingdom
Boots Development Properties Limited	United Kingdom
Boots Eyewear Limited	United Kingdom
Boots Hearingcare Limited	United Kingdom
Boots International Limited	United Kingdom

Boots International Management Services Limited	United Kingdom
Boots Management Services Limited	United Kingdom
Boots Optical Investment Holdings Limited	United Kingdom
Boots Opticians Limited	United Kingdom
Boots Opticians Professional Services Limited	United Kingdom
Boots Pensions Limited	United Kingdom
Boots PropCo A Limited	United Kingdom
Boots PropCo B Limited	United Kingdom
Boots PropCo Beeston Limited	United Kingdom
Boots PropCo C Limited	United Kingdom
Boots PropCo Flex Limited	United Kingdom
Boots PropCo Limited	United Kingdom
Boots PropCo Retail Flex Limited	United Kingdom
Boots Properties Limited	United Kingdom
Boots Property HoldCo Limited	United Kingdom
Boots Pure Drug Company Limited	United Kingdom
Boots The Chemists Limited	United Kingdom
Boots UK Limited	United Kingdom
Burrows & Close Limited	United Kingdom

Caseview (P.L.) Limited	United Kingdom
Central Homecare Limited	United Kingdom
Clarepharm Limited	United Kingdom
Class Delta Limited	United Kingdom
Colne (H.C.C.) Limited	United Kingdom
D200 Energy Limited	United Kingdom
Dollond & Aitchison Limited	United Kingdom
E. Moss, Limited	United Kingdom
Gordon's Chemist Limited	United Kingdom
HF Healthcare Limited	United Kingdom
Keighley Health Centre Limited	United Kingdom
Leamington Spa Properties (Two) Limited	United Kingdom
Liz Earle Beauty Co. (International) Limited	United Kingdom
Liz Earle Beauty Co.Limited	United Kingdom
Nelson (H.C.C.) Limited	United Kingdom
Nottingham Enterprise Zone Development Company Limited	United Kingdom
Octapharm Limited	United Kingdom
Ontario UK 2 Limited	United Kingdom
OTC Direct Limited	United Kingdom
PhD Acquisition Bidco Limited	United Kingdom
PhD Acquisition Midco Limited	United Kingdom
PhD Nutrition Limited	United Kingdom
S and G Investments Limited	United Kingdom
Soap & Glory Limited	United Kingdom
Spa Strategy Limited	United Kingdom
SportsPlatform Holdeco Limited	United Kingdom
SportsPlatform Midco Limited	United Kingdom
Sprint Acquisitions UK Holdeco 3 Limited	United Kingdom
Sprint Investments 1 Limited	United Kingdom
Sprint Investments 5 Limited	United Kingdom
Superior Acquisitions Limited	United Kingdom
Superior Holdings Limited	United Kingdom
Swindon Health Centre (PD) Limited	United Kingdom
The Boots Company PLC	United Kingdom
The Refinery Limited	United Kingdom
Torrington Park H.C.C. Limited	United Kingdom
TPW Acquisition Bidco Limited	United Kingdom
TPW Acquisition Midco Limited	United Kingdom
Tuschem Limited	United Kingdom
UDG (No.1) Limited	United Kingdom
UDG (No.2) Limited	United Kingdom
UniChem Limited	United Kingdom
Victoria Pharmacy Limited	United Kingdom
Walgreens Boots Alliance Services Limited	United Kingdom
WBA Finance 1 Limited	United Kingdom
WBA Finance 2 Limited	United Kingdom
WBA Financial Limited	United Kingdom
WBA Financial Services Limited	United Kingdom
WBA UK 1 LLP	United Kingdom
WBA UK 2 LLP	United Kingdom
WBA UK 3 LLP	United Kingdom
WBA UK 4 LLP	United Kingdom
WBA UK 5 LLP	United Kingdom
WBA UK 6 LLP	United Kingdom
WBA UK 7 LLP	United Kingdom
WBA UK 8 LLP	United Kingdom
WBA UK Finance Limited	United Kingdom
WBAD Holdings Limited	United Kingdom
Farmacias Ahumada Internacional S.A.	Uruguay
Walgreen of US Virgin Islands, LLC	US Virgin Islands
LCA Insurance Co., Inc.	Vermont

drugstore.com, inc.	Washington
Walgreen Oshkosh, Inc.	Wisconsin

Exhibit 23.1**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in Registration Statement Nos. 333-201327 and 333-198768 on Form S-8 of our reports dated October 28, 2015 relating to the consolidated financial statements of Walgreens Boots Alliance, Inc. (successor to Walgreen Co.) and subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended August 31, 2015 (which (1) expresses an unqualified opinion on the consolidated financial statements of the Company for the fiscal year ended August 31, 2015 and includes an explanatory paragraph on a change in accounting method for equity investment and equity earnings in Alliance Boots GmbH to eliminate the three month reporting lag used prior to December 31, 2014, and (2) expresses an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting).

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
October 28, 2015



KPMG LLP
Audit
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0) 20 7311 1000
Fax +44 (0) 20 7311 3311

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 333-198768 and 333-201327) of Walgreens Boots Alliance, Inc. of our report dated May 12, 2014, with respect to the Group statements of financial position of Alliance Boots GmbH as at March 31, 2014 and 2013, and the related Group statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2014, which report appears in the Form 8-K of Walgreen Co. dated May 15, 2014.

/s/ KPMG LLP
London, United Kingdom
October 28, 2015

KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Registered in England No OC301540 Registered office: 15 Canada Square, London, E14 5GL For full details of our professional regulation please refer to ‘Regulatory Information’ under ‘About/About KPMG’ at www.kpmg.com/uk



KPMG LLP
Audit
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0) 20 7311 1000
Fax +44 (0) 20 7311 3311

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 333-198768 and 333-201327) of Walgreens Boots Alliance, Inc. of our report dated July 16, 2014, with respect to the Group statements of financial position of Alliance Boots GmbH as at May 31, 2014 and 2013, and the related Group statements of income, comprehensive income, changes in equity and cash flows for the year ended May 31, 2014 and ten months ended May 31, 2013, not included herein, which report appears in the August 31, 2015 annual report on Form 10-K of Walgreens Boots Alliance, Inc.

/s/ KPMG LLP
London, United Kingdom
October 28, 2015

KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Registered in England No OC301540 Registered office: 15 Canada Square, London, E14 5GL For full details of our professional regulation please refer to ‘Regulatory Information’ under ‘About/About KPMG’ at www.kpmg.com/uk

CERTIFICATION

I, Stefano Pessina, certify that:

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

/s/ Stefano Pessina Chief Executive Officer
Stefano Pessina

Date: October 28, 2015

CERTIFICATION

I, George Fairweather, certify that:

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

/s/ George Fairweather
George Fairweather

Global Chief Financial Officer

Date: October 28, 2015

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

In connection with the Annual Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-K for the year ended August 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, Stefano Pessina, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stefano Pessina

Stefano Pessina

Chief Executive Officer

Dated: October 28, 2015

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

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

In connection with the Annual Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-K for the year ended August 31, 2015 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: October 28, 2015

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.

Alliance Boots GmbH

Interim condensed consolidated financial statements

for the nine month period ended 31 December 2014

Group interim condensed consolidated income statement (unaudited)

for the nine month period ended 31 December

	Notes	2014 £million	2013 £million
Revenue		17,420	17,781
Profit from operations before share of post-tax earnings of associates and joint ventures	4	820	988
Share of post-tax earnings of associates and joint ventures		117	45
Profit from operations		937	1,033
Finance income		42	15
Finance costs		(265)	(306)
Profit before tax		714	742
Tax	6	(101)	39
Profit for the period		613	781
Attributable to:			
Equity shareholders of the Company		605	755
Non-controlling interests		8	26
		613	781

Group interim condensed consolidated statement of comprehensive income (unaudited)

for the nine month period ended 31 December

	2014 £million	2013 £million
Profit for the period	613	781
Other comprehensive income for the period		
Items that will not be recycled to the income statement:		
Defined benefit schemes – net remeasurements	81	(235)
Tax on items that will not be recycled to the income statement	(16)	42
	65	(193)
Items that are or may be recycled to the income statement:		
Net exchange differences on translation of non-Sterling denominated operations	(21)	(167)
Fair value movements on cash flow hedging instruments including amounts recycled	(3)	9
Movements on available-for-sale investments including amounts recycled	2	(1)
Share of post-tax other comprehensive income of associates and joint ventures	-	(2)
Amounts recycled on distribution of associate	-	(78)
Tax on items that are or may be recycled to the income statement	(7)	(3)
	(29)	(242)
Total comprehensive income for the period	649	346
Attributable to:		
Equity shareholders of the Company	641	341
Non-controlling interests	8	5
	649	346

Group interim condensed consolidated statement of financial position

		31 December 2014	31 March 2014
	Notes	Unaudited £million	Audited £million
Assets			
Non-current assets			
Goodwill		4,950	4,625
Other intangible assets	7	5,498	5,309
Property, plant and equipment	7	2,023	1,907
Investments in associates and joint ventures		478	318
Available-for-sale investments		66	67
Trade and other receivables		92	78
Deferred tax assets		31	16
Retirement benefit assets	13	70	-
Current tax assets		5	8
Derivative financial instruments		1	29
		13,214	12,357
Current assets			
Inventories		2,326	1,892
Trade and other receivables		2,711	2,544
Cash and cash equivalents	8	291	501
Restricted cash	10	188	156
Current tax assets		8	13
Assets classified as held for sale		5	3
Derivative financial instruments		57	11
		5,586	5,120
Total assets		18,800	17,477
Liabilities			
Current liabilities			
Borrowings	10	(5,644)	(301)
Trade and other payables		(4,862)	(4,236)
Current tax liabilities		(129)	(132)
Provisions		(27)	(9)
Derivative financial instruments		(3)	(3)
		(10,665)	(4,681)
Net current (liabilities)/assets		(5,079)	439
Non-current liabilities			
Borrowings	10	(86)	(5,444)
Other payables		(193)	(158)
Deferred tax liabilities		(836)	(781)
Retirement benefit obligations	13	(115)	(174)
Provisions		(12)	(16)
Derivative financial instruments		(1)	-
		(1,243)	(6,573)
Net assets		6,892	6,223
Equity			
Share capital		1,080	1,079
Share premium		2,193	2,184
Retained earnings		3,561	2,894
Other reserves		-	29
Shareholders' equity		6,834	6,186
Non-controlling interests		58	37
Total equity		6,892	6,223

Group interim condensed consolidated statement of changes in equity (unaudited)

for the nine month period ended 31 December

	Shareholders' equity					Non-controlling interests £million	Total equity £million
	Share capital £million	Share premium £million	Retained earnings £million	Other reserves £million	Total £million		
2014							
At 1 April 2014	1,079	2,184	2,894	29	6,186	37	6,223
Profit for the period	-	-	605	-	605	8	613
Other comprehensive income for the period							
Defined benefit schemes – net remeasurements	-	-	81	-	81	-	81
Net exchange differences on translation of non-Sterling denominated operations	-	-	-	(21)	(21)	-	(21)
Fair value movements on cash flow hedging instruments including amounts recycled	-	-	-	(3)	(3)	-	(3)
Movements on available-for-sale investments including amounts recycled	-	-	-	2	2	-	2
Tax on other comprehensive income for the period	-	-	(16)	(7)	(23)	-	(23)
	-	-	65	(29)	36	-	36
Total comprehensive income for the period	-	-	670	(29)	641	8	649
Transactions with owners							
Equity share capital issued	1	9	(3)	-	7	-	7
Non-controlling interests in businesses acquired	-	-	-	-	-	20	20
Dividends paid to non-controlling interests	-	-	-	-	-	(9)	(9)
Contribution from non-controlling interests	-	-	-	-	-	4	4
Purchase of non-controlling interests	-	-	-	-	-	(2)	(2)
	1	9	(3)	-	7	13	20
At 31 December 2014	1,080	2,193	3,561	-	6,834	58	6,892

	Shareholders' equity					Non-controlling interests £million	Total equity £million
	Share capital £million	Share premium £million	Retained earnings £million	Other reserves £million	Total £million		
2013							
At 1 April 2013	1,079	2,879	1,460	82	5,500	171	5,671
Profit for the period	-	-	755	-	755	26	781
Other comprehensive income for the period:							
Defined benefit schemes – net remeasurements	-	-	(235)	-	(235)	-	(235)
Net exchange differences on translation of non-Sterling denominated operations	-	-	-	(146)	(146)	(21)	(167)
Fair value movements on cash flow hedging instruments including amounts recycled	-	-	-	9	9	-	9
Movements on available-for-sale investments including amounts recycled	-	-	-	(1)	(1)	-	(1)
Share of post-tax other comprehensive income of associates and joint ventures	-	-	-	(2)	(2)	-	(2)
Amounts recycled on distribution of associate	-	-	-	(78)	(78)	-	(78)
Tax on other comprehensive income for the period	-	-	42	(3)	39	-	39
	-	-	(193)	(221)	(414)	(21)	(435)
Total comprehensive income for the period	-	-	562	(221)	341	5	346
Transactions with owners:							
Settlement of distribution obligation	-	(695)	695	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	(7)	(7)
Purchase of non-controlling interests	-	-	(47)	176	129	(131)	(2)
	-	(695)	648	176	129	(138)	(9)
At 31 December 2013	1,079	2,184	2,670	37	5,970	38	6,008

Group interim condensed consolidated statement of cash flows (unaudited)

for the nine month period ended 31 December

	Note	2014 £million	2013 £million
Operating activities			
Profit from operations:		937	1,033
Adjustments to reconcile profit from operations to cash generated from operations:			
Share of post-tax earnings of associates and joint ventures		(117)	(45)
Depreciation and amortisation		263	255
Impairment of investments in associates, goodwill and other intangible assets		40	-
Net gains on disposal of property, plant and equipment		(2)	-
Net gains relating to associates		(38)	(109)
Increase in inventories		(344)	(187)
(Increase)/decrease in receivables		(165)	8
Increase in payables and provisions		476	73
Movement in retirement benefit assets and obligations		(51)	(18)
Cash generated from operations		999	1,010
Net tax paid		(133)	(95)
Net cash from operating activities		866	915
Investing activities			
Acquisitions of businesses (net of cash and cash equivalents, and bank overdrafts)		(468)	(1)
Purchase of property, plant and equipment, and intangible assets		(234)	(175)
Purchase of available-for-sale investments		(1)	(15)
Loan repayments net of amounts advanced		-	18
Investments in associates and joint ventures		(57)	-
Disposal of other assets and investments		17	15
Dividends received from associates and joint ventures		10	20
Interest received		22	25
Net cash used in investing activities		(711)	(113)
Financing activities			
Interest paid		(187)	(213)
Proceeds from borrowings		1,215	638
Repayment and repurchase of borrowings and settlement of derivatives		(1,352)	(1,052)
Fees associated with financing activities		(14)	(14)
Movement in restricted cash		(35)	(3)
Repayment of capital element of finance lease obligations		(4)	(4)
Dividends paid to non-controlling interests		(8)	(17)
Purchase of non-controlling interests		(4)	(143)
Issue of ordinary share capital		6	-
Net cash used in financing activities		(383)	(808)
Net decrease cash and cash equivalents in the period		(228)	(6)
Cash and cash equivalents at 1 April		500	579
Currency translation differences		(9)	(17)
Cash and cash equivalents at 31 December	8	263	556

Alliance Boots GmbH

Notes to the interim condensed consolidated financial statements

for the nine month period ended 31 December 2014

1. General information

Alliance Boots GmbH (the “Company”) is a private company incorporated in Switzerland. The interim condensed consolidated financial report of the Company as at, and for the nine month period ended, 31 December 2014 are prepared up to the point of acquisition by Superior Holdings Limited (‘Superior’), previously named Ontario Holdings WBA Limited, a subsidiary of Walgreens Boots Alliance, Inc., on 31 December 2014 and comprises the Company and its subsidiaries and their interests in associates and joint ventures (together referred to as the “Group”). The address of its registered office is Alliance Boots GmbH, Untermattweg 8, Bern 3027, Switzerland. The principal activities of the Group were pharmacy-led health and beauty retailing and pharmaceutical wholesaling and distribution in many major international markets.

The interim condensed consolidated financial statements for the nine month period ended 31 December 2014 were approved by the Board and authorised for issue on 27 October 2015.

2. Basis of accounting

The interim condensed consolidated financial statements have been prepared in Sterling reflecting the denomination of the currency of the most significant proportion of the trade and cash flows of the Company and its subsidiaries and their interests in associates and joint ventures and have been rounded to the nearest £1 million. The interim condensed consolidated financial statements have been prepared up to the point of acquisition of the Group by Superior on 31 December 2014, in accordance with IAS 34 ‘Interim Financial Reporting’. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at, and for the year ended, 31 March 2014. This interim condensed consolidated financial report does not include all of the information required for full annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2014, which were prepared in accordance with International Financial Reporting Standards (IFRSs).

Preparing the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial report, significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for the year ended, 31 March 2014.

3. Significant accounting policies

The accounting policies applied by the Group in this interim condensed consolidated financial report are the same as those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 March 2014.

4. Profit from operations before share of post-tax earnings of associates and joint ventures

	Before amortisation of customer relationships and brands, and exceptional items £million	Amortisation of customer relationships and brands £million	Exceptional items £million	Total £million
2014				
Revenue	17,420	-	-	17,420
Cost of sales	(13,543)	-	-	(13,543)
Gross profit	3,877	-	-	3,877
Selling, distribution and store costs	(2,457)	(80)	(12)	(2,549)
Administrative costs	(330)	-	(178)	(508)
Profit from operations before share of post-tax earnings of associates and joint ventures	1,090	(80)	(190)	820

	Before amortisation of customer relationships and brands, and exceptional items £million	Amortisation of customer relationships and brands £million	Exceptional items £million	Total £million
2013				
Revenue	17,781	-	-	17,781
Cost of sales	(14,060)	-	-	(14,060)
Gross profit	3,721	-	-	3,721
Selling, distribution and store costs	(1,801)	(76)	-	(1,877)
Administrative costs	(931)	-	75	(856)
Profit from operations before share of post-tax earnings of associates and joint ventures	989	(76)	75	988

Notes to the interim condensed consolidated financial statements (continued)

for the nine month period ended 31 December 2014

5. Exceptional items

	2014 £million	2013 £million
Within profit from operations		
Call options for warrants ¹	(167)	(33)
Impairment of goodwill and other intangible assets ²	(35)	-
Impairment of investment in associate	(5)	(7)
Gain on acquisition of controlling interests in an associate and a joint venture ³	38	-
Gain on disposal and distribution of associates ⁴	-	116
Other ⁵	(21)	(1)
Within profit from operations before share of post-tax earnings of associates and joint ventures	(190)	75
Within share of post-tax earnings of associates and joint ventures	2	-
	(188)	75
Within finance income		
Fair value movement of equity purchase commitment ⁶	17	(3)
Repurchase and repayment of acquisition borrowings ⁷	-	(13)
	17	(16)
Within finance costs		
Amortisation of prepaid financing fees	(18)	-
Reassessment of obligations to non-controlling interests	(14)	(46)
	(32)	(46)
Within tax		
Tax credit on exceptional items	13	6
Exceptional tax (charge)/credit ⁸	(3)	114
	10	120
	(193)	133

- 1 During a prior period, the Company together with Walgreen Co. signed agreements with AmerisourceBergen Corporation ('AmerisourceBergen') which included the Group receiving warrants to purchase up to 8% of the equity of AmerisourceBergen at future dates. Simultaneously, the Group issued a call option to Walgreen Co. for Walgreen Co. to purchase these warrants from the Group, only exercisable if Walgreen Co. exercises its option to acquire the remaining 55% equity stake of the Group that they did not own at that time.
- 2 During the period, the Group recorded impairments of goodwill and other intangible assets resulting from the valuation carried out when Superior acquired the Group on 31 December 2014. The impairments were calculated using a net present value of future cash flows methodology and a relief from royalty method.
- 3 During the period, the Group acquired the 50% of UniDrug Distribution Group Limited ('UDG') and 70% of Soap & Glory Limited ('Soap & Glory'), respectively, that it did not already own. The fair value of the respective pre-existing interests were remeasured to fair value giving rise to respective gains.
- 4 In August 2012, the Company entered a Purchase and Option Agreement with its parent company, AB Acquisitions Holdings Limited, and Walgreen Co. for Walgreen Co. to acquire a 45% equity stake in the Group. As part of this agreement, the Company made a commitment to distribute or otherwise transfer its subsidiary's investment in Galenica Ltd. and any related dividend distributions or proceeds to the selling shareholders at a future date without any payment. The Group recognised this commitment as a liability measured at fair value. On 10 May 2013, the Group distributed its investment in Galenica Ltd. recognising a gain on distribution of £115 million. The increase in the fair value of the liability for this commitment since the beginning of the period to the date of distribution was £43 million.
- 5 Other related to net gains/(losses) on disposal of non-current assets, acquisition related costs, legal and other advisory costs for the Walgreen Co. and AmerisourceBergen transactions and residual costs in relation to other previously announced exceptional projects.
- 6 During a prior period, the Group entered into a contract to acquire a 12% interest in Nanjing Pharmaceutical Company Limited. The investment was completed in the period, and the fair value gain in the period on this derivative financial instrument was £17 million.
- 7 During the prior period, the Group repurchased and repaid acquisition borrowings with a net value of £858 million. Pre-paid financing fees expensed on these repurchases and repayments were £13 million.
- 8 The exceptional credit in the prior period mainly relates to the net reduction in deferred tax assets and liabilities resulting from the three percentage point reduction in the rate of future UK corporation tax enacted during the period. This comprised a two percentage point reduction applicable from April 2014 and the further one percentage point reduction applicable from April 2015.

Notes to the interim condensed consolidated financial statements (continued)

for the nine month period ended 31 December 2014

6. Tax

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The effective tax rate, which is defined as the tax charge/(credit) expressed as a percentage of profit from operations excluding share of post-tax earnings of associates and joint ventures, net of finance income and finance costs for the nine month period ended 31 December 2014 was 16.9% (2013: (5.6)%). The 22.5% increase in the effective tax rate arises mainly as a result of an exceptional tax credit in the prior period which related to the net reduction in deferred tax assets and liabilities resulting from the three percentage point reduction in the rate of future UK corporation tax enacted in that period.

7. Capital expenditure

During the nine month period ended 31 December 2014, the Group purchased intangible assets with a cost of £63 million (2013: £72 million) and property, plant and equipment assets with a cost of £192 million (2013: £132 million). Property, plant and equipment with a carrying amount of £5 million (2013: £5 million) were disposed in the period.

8. Cash and cash equivalents

Bank overdrafts included as a component of cash and cash equivalents as shown in the condensed consolidated statements of cash flows were £28 million (31 December 2013: £36 million).

9. Analysis of movement in net borrowings

Set out below is a reconciliation of the net decrease in cash and cash equivalents to the (increase)/decrease in net borrowings:

	2014 £million	2013 £million
Net decrease in cash and cash equivalents	(228)	(6)
Movement in restricted cash	35	3
Cash and cash equivalents outflow from decrease in debt and debt financing	141	418
Movement in net borrowings resulting from cash flows	(52)	415
Borrowings acquired with businesses	(128)	-
Finance leases entered into	-	(5)
Amortisation of prepaid financing fees	(27)	(15)
Repurchase and repayment of acquisition borrowings	-	(13)
Capitalised finance costs	-	(4)
Currency translation differences and fair value adjustments on financial instruments	61	42
Movement in net borrowings in the period	(146)	420
Net borrowings at 1 April	(5,051)	(5,893)
Net borrowings at 31 December	(5,197)	(5,473)

Cash and cash equivalents outflow from decrease in debt and debt financing comprised repayment and repurchase of borrowings and settlement of derivative financial instruments of £1,352 million (2013: £1,052 million) and repayment of capital element of finance lease obligations of £4 million (2013: £4 million) less proceeds from borrowings of £1,215 million (2013: £638 million). Proceeds from borrowings include funding provided by the committed revolving credit facility.

Set out below is an analysis of net borrowings at 31 December:

	2014 £million	2013 £million
Cash and cash equivalents	291	592
Restricted cash	188	178
Borrowings within current liabilities	(5,644)	(188)
Borrowings within non-current liabilities	(86)	(6,090)
Net derivative financial instruments	54	35
Net borrowings at 31 December	(5,197)	(5,473)

Notes to the interim condensed consolidated financial statements (continued)

for the nine month period ended 31 December 2014

10. Financial assets and liabilities

The carrying amounts of financial assets and liabilities were:

	31 December 2014 £million	31 March 2014 £million
Current borrowings		
Loans – senior facilities	(4,778)	(100)
Other loans – committed	(705)	(162)
Other loans – uncommitted	(129)	(34)
Bank overdrafts	(28)	(1)
Finance lease liabilities	(4)	(4)
	(5,644)	(301)
Non-current borrowings		
Loans – senior facilities	-	(5,049)
Other loans – committed	(79)	(386)
Finance lease liabilities	(7)	(9)
	(86)	(5,444)
Total borrowings	(5,730)	(5,745)
Cash and cash equivalents	291	501
Total borrowings net of cash and cash equivalents	(5,439)	(5,244)
Restricted cash	188	156
Derivative financial instruments – currency, interest rate and credit instrument assets	58	29
Derivative financial instruments – currency	(4)	(3)
Derivative financial instruments – equity purchase commitment	-	11
Net borrowings	(5,197)	(5,051)
Available-for-sale investments	66	67
Loan assets	4	4
Trade receivables net of provision for impairment	2,268	2,179
Trade payables	(3,841)	(3,401)
Liability to acquire equity stakes from non-controlling interests	(3)	-
Future dividend obligations to non-controlling interests	(92)	(79)
Net financial liabilities	(6,795)	(6,281)

The Group's principal borrowings at the period end were:

- Committed facilities – £5,562 million (31 March 2014: £5,697 million) in total:
 - Loans – senior facilities current borrowings: in December 2014, the Group issued a voluntary repayment notice to lenders on its variable rate loans and revolving credit facility to repay all principal outstanding amounts in January 2015. By doing so the Group relinquished its right to repay the facilities at the original maturity dates of July 2017 and July 2018, and became contractually obliged to repay the facilities within 12 months of the reporting date. The variable rate loans and revolving credit facility were therefore presented in current liabilities. The variable rate loans, which were denominated in Sterling and Euros, were fully drawn and their aggregate carrying value at 31 December 2014 was £4,267 million (31 March 2014: £5,049 million) including the impact of currency revaluation, and were reported net of unamortised fees incurred in respect of the loans. The revolving credit facility of £1,092 million (31 March 2014: £677 million) provided access to funding in a range of currencies. £511 million (31 March 2014: £100 million) of this facility was drawn as at 31 December 2014 and classified as current borrowings.
 - Other loans: these loans totalling £784 million (31 March 2014: £548 million) represented a mix of fixed and variable rate borrowings denominated in Sterling, Euros, Czech Koruna, Chilean Peso and Turkish Lira with principal maturities concentrated between 2015 and 2029.
- Uncommitted facilities – £157 million (31 March 2014: £35 million) in total:
 - Bank overdrafts and local bank loans repayable on demand. These facilities were denominated in Turkish Lira, Russian Rouble, Mexican Peso and Czech Koruna.
- Finance leases – £11 million (31 March 2014: £13 million) in total.

Cash and cash equivalents included gross bank overdrafts of £40 million (31 March 2014: £80 million) which were offset under cash pooling arrangements.

Notes to the interim condensed consolidated financial statements (continued)

for the nine month period ended 31 December 2014

10. Financial assets and liabilities (continued)**Carrying value and fair value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At 31 December 2014, carrying values and fair values of the Group's financial assets and liabilities held to finance the Group's operations were:

	31 December 2014		31 March 2014	
	Carrying value £million	Fair value £million	Carrying value £million	Fair value £million
Liabilities held at amortised cost				
Loans – senior facilities	(4,778)	(4,778)	(5,149)	(5,176)
Other loans – committed	(784)	(784)	(548)	(548)
Other loans – uncommitted	(129)	(129)	(34)	(34)
Bank overdrafts	(28)	(28)	(1)	(1)
Finance lease liabilities	(11)	(12)	(13)	(14)
Liability to acquire equity stakes from non-controlling interests	(3)	(3)	-	-
Future dividend obligations to non-controlling interests	(92)	(92)	(79)	(79)
Trade payables	(3,841)	(3,841)	(3,401)	(3,401)
	(9,666)	(9,667)	(9,225)	(9,253)
Liabilities held at fair value				
Derivative financial instruments – currency	(4)	(4)	(3)	(3)
Loans and receivables financial assets				
Trade receivables net of provision for impairment	2,268	2,268	2,179	2,179
Loan assets	4	4	4	4
	2,272	2,272	2,183	2,183
Financial assets held at fair value				
Derivative financial instruments – currency, interest rate and credit instrument assets	58	58	29	29
Derivative financial instruments – equity purchase commitment	-	-	11	11
Available-for-sale investments	66	66	67	67
	124	124	107	107
Cash and cash equivalents	291	291	501	501
Restricted cash	188	188	156	156
Net financial liabilities	(6,795)	(6,796)	(6,281)	(6,309)

The fair values of bank overdrafts, other loans and trade receivables approximate to their carrying values due to either their short term nature or being re-priced at variable interest rates. The carrying value of the variable rate senior facility loans approximated fair values of the instruments due to their maturity dates being in January 2015. The fair value of these loans has been estimated as level 2 in the fair value hierarchy.

Notes to the interim condensed consolidated financial statements (continued)

for the nine month period ended 31 December 2014

10. Financial assets and liabilities (continued)

The carrying values of financial assets and liabilities held at fair value, as analysed by the levels of the fair value hierarchy, were:

	Level 1 £million	Level 2 £million	Level 3 £million	Total £million
31 December 2014				
Financial liabilities				
Derivative financial instruments – currency	-	(4)	-	(4)
	-	(4)	-	(4)
Financial assets				
Derivative financial instruments – currency, interest rate and credit instrument assets	-	58	-	58
Available-for-sale investments	66	-	-	66
	66	58	-	124
31 March 2014				
Financial liabilities:				
Derivative financial instruments – currency	-	(3)	-	(3)
	-	(3)	-	(3)
Financial assets:				
Derivative financial instruments – interest rate and credit instrument assets	-	29	-	29
Derivative financial instruments – equity purchase commitment	-	-	11	11
Available-for-sale investments	67	-	-	67
	67	29	11	107

The levels of the fair value hierarchy reflect the significance of the valuation inputs used in making fair value measurements and are defined as follows:

Level 1: quoted prices in active markets for the same instrument.

Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based either directly or indirectly on observable market data.

Level 3: determined on inputs that are not based on observable market data.

Derivative financial instruments

The derivative financial instruments that the Group holds were not traded in an active market. Accordingly, their fair values were determined by using suitable valuation techniques that do not make use of entity-specific estimates or by using movements in observable prices for underlying financial instruments attributable to the hedged risks. The fair value of interest rate swaps was calculated by discounting the estimated cash flows received and paid based on the applicable observable yield curves. The fair value of interest rate caps was calculated using an option pricing methodology. The fair value of forward currency contracts was 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. The fair value of credit derivatives was calculated by discounting anticipated cash flows using the applicable observable yield curve plus a margin derived from the current trading value of the underlying security. The fair value of the equity purchase commitment is calculated based on quoted market prices for equity instruments adjusted for the probability of the acquisition occurring. All computed fair values for derivative financial instruments include an appropriate adjustment for own and counterparty credit risk as appropriate.

Available-for-sale investments

The fair values of quoted investments were based on current bid prices.

There were no transfers between Level 1 and Level 2 fair value measurements during the period. Movements in the period for financial instruments measured using Level 3 valuation methods are presented below:

	£million
At 1 April 2014	11
Net gains recognised in the income statement	17
Transfer from Level 3	(29)
Currency translation differences	1
At 31 December 2014	-
	£million
At 1 April 2013	-
Additions	5
Net gains recognised in the income statement	7
Currency translation differences	(1)

On 4 December 2014, the Group completed the acquisition of a 12% stake in Nanjing Pharmaceutical Company Limited, which has been accounted for as an associate to the Group using the equity method. This resulted in the transfer of £29 million from the Level 3 category.

The fair value increase on financial instruments categorised within Level 3 in the nine month period ended 31 December 2014 of £17 million (year ended 31 March 2014: £7 million), is included within finance income in the income statement.

Notes to the interim condensed consolidated financial statements (continued)

for the nine month period ended 31 December 2014

11. Acquisitions of businesses

During the period, the Group acquired controlling equity stakes in a number of businesses. The most significant were a 99.4% interest in Farmacias Ahumada S.A. ("FASA") for consideration of £365 million and a further 50% stake in UDG, previously a joint venture of the Group, for consideration of £66 million. These acquisitions have been accounted for using the acquisition method and the interim condensed consolidated financial statements include the results of these businesses for the period from the respective acquisition dates.

FASA

On 11 August 2014, the Group acquired 99.4% of the equity of FASA, a listed company based in Latin America. This acquisition provided the Group with a major presence in the Latin America market and a further step towards reaching a global footprint.

The preliminary fair values of the identifiable assets and liabilities of FASA as at the date of acquisition were:

	Fair value £million
Assets	
Intangible assets	167
Property, plant and equipment	87
Deferred tax assets	16
Inventories	169
Trade and other receivables	90
Cash and cash equivalents	20
Liabilities	
Borrowings	(128)
Trade and other payables	(277)
Deferred tax liabilities	(40)
Retirement benefit obligations	(7)
Provisions	(10)
Total identifiable net assets at fair value	87
Non-controlling interests	(20)
Goodwill arising on acquisition	298
Purchase consideration	365
Analysis of cash flows on acquisition	
Cash paid	365
Cash and cash equivalents acquired	(20)
Net cash outflow	345

The consolidated income statement for the period includes revenue of £221 million and profit before tax for the period of £nil in respect of the FASA business since the acquisition date. If the FASA business had been a subsidiary of the Group from the beginning of the period, taking into account their results prior to acquisition, revenue and profit before tax for the combined Group on a pro forma basis would have been £18,165 million and £701 million respectively.

The fair value of the non-controlling interests were determined with reference to the closing share price of FASA and Farmacias Benavides S.A.B de C.V., a subsidiary of FASA, respectively at the date of acquisition.

Notes to the interim condensed consolidated financial statements (continued)

for the nine month period ended 31 December 2014

11. Acquisitions of businesses (continued)**UDG**

On 15 August 2014, the Group acquired the remaining 50% of the equity of UDG it did not own for £66 million. This acquisition provided our UK pharmaceutical customers with a broader and more integrated range of flexible pre-wholesaling and contract logistics solutions.

The preliminary fair values of the identifiable assets and liabilities of UDG as at the date of acquisition were:

	Fair value £million
Assets	
Other intangible assets	41
Property, plant and equipment	11
Trade and other receivables	10
Cash and cash equivalents	13
Liabilities	
Trade and other payables	(17)
Deferred tax liabilities	(8)
Total identifiable net assets at fair value	50
Goodwill arising on acquisition	82
Fair value of existing interest	(66)
Purchase consideration	66
Analysis of cash flows on acquisition	
Cash paid	66
Cash and cash equivalents acquired	(13)
Net cash outflow	53

The re-measurement to fair value of the Group's existing 50% joint venture interest in UDG resulted in a gain of £32 million (fair value of £66 million less £34 million carrying value of equity accounted associate at the acquisition date), which was recognised in the income statement within profit from operations.

The consolidated income statement for the period includes revenue of £24 million and profit before tax for the period of £6 million in respect of the UDG business since the acquisition date. If the UDG business had been a subsidiary of the Group from the beginning of the period, taking into account their results prior to acquisition, revenue and profit before tax for the combined Group on a pro forma basis would have been £17,466 million and £729 million respectively.

Other acquisitions

The Group acquired other businesses during the period for a total cash consideration of £77 million and non-cash consideration of £5 million. The fair value of net assets acquired was £48 million, which included cash and cash equivalents of £7 million, with goodwill recognised of £46 million. One of these other acquisitions was in relation to an existing associate and the re-measurement to fair value of the Group's existing share of the associate resulted in a gain of £6 million (fair value of £12 million less £6 million carrying value of equity accounted associate at the acquisition date), which was recognised in the income statement within profit from operations.

Acquisition related costs

The Group incurred acquisition related costs of £4 million in respect of the acquisitions described above and other acquisition related projects. These costs have been included within administrative costs in the Group's income statement and are part of the operating cash flows in the statement of cash flows.

Alliance Boots GmbH

Notes to the interim condensed consolidated financial statements (continued)

for the nine month period ended 31 December 2014

12. Commitments

Capital expenditure contracted for at the period end and not yet incurred was £109 million (31 March 2014: £39 million) in respect of property, plant and equipment and software.

13. Retirement benefit assets and obligations

As at 31 December 2014, the net retirement benefit obligation in respect of defined benefit pension schemes was £45 million (31 March 2014: £174 million), comprising schemes with retirement benefit net assets of £70 million (31 March 2014: £nil) and schemes with retirement benefit net obligations of £115 million (31 March 2014: £174 million). Net actuarial gains in the period were £81 million (2013: £235 million net actuarial losses) with tax charge attributable of £16 million (2013: £42 million credit) and these are recorded in the Group's interim condensed statement of other comprehensive income.

14. Related parties

The Group's related party relationships and transactions for the year ended 31 March 2014 were disclosed in the Annual Report for the year ended 31 March 2014. In the nine month period ended 31 December 2014, the significant related party relationships and transactions for the Group were as follows:

Parent and ultimate controlling party

Throughout the period and as at 31 December 2014, AB Acquisitions Holdings Limited was the ultimate parent company of Alliance Boots GmbH. Subsequent to 31 December 2014, AB Acquisitions Holdings Limited was renamed Sprint Acquisitions Holdings Limited.

Sprint Acquisitions Holdings Limited is incorporated in Gibraltar and is jointly controlled by Alliance Santé Participations S.A., and three private equity investment vehicles advised by Kohlberg Kravis Roberts & Co. L.P.. S. Pessina and O. Barra, who were Directors of Alliance Boots GmbH throughout the period, are directors of Alliance Santé Participations S.A., which is ultimately owned by a family trust. Sprint Acquisitions Holdings Limited's registered office is 57/63 Line Wall Road, Gibraltar.

Transactions with fellow subsidiaries of Sprint Acquisitions Holdings Limited

A summary of the significant transactions with fellow subsidiaries of Sprint Acquisitions Holdings Limited in the period is as follows:

On 4 August 2014, the Group sold its 100% equity interest in Alliance Boots Investments 5 Limited, a company that owned 51% of the equity of OOO Alliance Healthcare Rus ("Alliance Healthcare Russia"), a subsidiary of the Group, to a subsidiary of Sprint Acquisitions Holdings Limited for £3 million. As part of the transaction, a put and call mechanism was put in place over the 51% equity interest owned by Sprint Acquisitions Holdings Limited in Alliance Boots Investments 1 Limited, the parent of Alliance Healthcare Russia, which resulted in the Group continuing to exercise control over the Alliance Healthcare Russia business. The Group continued to consolidate the results of Alliance Healthcare Russia and its subsidiaries in the Group's financial statements because it continued to be exposed to variable returns from its involvement in the Russia business and had the ability to affect those returns through its power over the entity.

On 9 December 2014, the Group exchanged its 49% equity interest in Alliance Healthcare Italia S.p.a, an associate of the Group, for a 49% equity interest in AB Acquisitions UK Holdco 3 Limited (subsequently renamed Sprint Acquisitions UK Holdco 3 Limited), a subsidiary of Sprint Acquisitions Holdings Limited. The share-for-share exchange reflected the fair value of the Group's equity interest in the respective entities. Prior to 31 December 2014, Sprint Acquisitions UK Holdco 3 Limited was subsequently capitalised by its majority shareholder, diluting the Group's equity interest to 9%.

Transactions with Walgreen Co.

Following Walgreen Co. acquisition of a 45% equity stake in Alliance Boots GmbH in August 2012, Walgreen Co. and its subsidiaries ("Walgreens") were related parties. A summary of the significant transactions in the period are as follows:

Transactions with Walgreens (excluding those Walgreens subsidiaries which the Group accounts for as joint ventures) were revenue of £113.4 million (2013: £65.0 million), the reimbursement of administrative costs (including secondments) of £3.9 million (2013: £1.7 million) and administrative costs (including secondments) of £3.1 million (2013: £0.8 million).

Transactions with associates and joint ventures

Trading transactions with associates and joint ventures were:

	2014		2013	
	Associates	Joint ventures	Associates	Joint ventures
	£million	£million	£million	£million
Revenue to	16	66	17	49
Other income receivable	-	2	-	3
Purchases from	(6)	-	(9)	-
Other charges from	(2)	(3)	-	(1)
	31 December 2014		31 March 2014	
	Joint		Joint	

	Associates £million	ventures £million	Associates £million	ventures £million
Amounts due from	2	-	3	16
Amounts due to	-	-	(1)	(1)

Notes to the interim condensed consolidated financial statements (continued)

for the nine month period ended 31 December 2014

15. Events after the period end

On 31 December 2014, Walgreens Boots Alliance, Inc. ('WBA'), a newly incorporated company registered in the US, became the successor of Walgreen Co. as part of a reorganisation programme at Walgreens which resulted in Walgreens becoming a wholly owned subsidiary of WBA. Furthermore on 31 December 2014, WBA completed the acquisition of the remaining 55% of Alliance Boots GmbH that it did not previously own and the 2.7% non-controlling interest in AB Acquisitions Luxco 1 S.à r.l. (which is a holding company of the principal subsidiaries, associates and joint ventures), in exchange for £3,133 million in cash and 144,333,468 shares of WBA common stock (\$11.0 billion based on the 30 December 2014 closing market price of \$76.05) pursuant to the Purchase and Option Agreement dated 18 June 2012 as amended. As a result, WBA became the ultimate parent undertaking of the Group.

In January 2015, the Group repaid all principal outstanding amounts on its senior credit facilities and certain of the Group's other committed loans to lenders which amounted to £5,254 million.

In July 2015, the Group acquired Liz Earle Beauty Co. Limited, owner of the Liz Earle skincare brand for £140 million.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

On December 31, 2014, Walgreens Boots Alliance Inc. (“Walgreens Boots Alliance or the “Company”) became the successor of Walgreens pursuant to a merger to effect a reorganization of Walgreens 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, which was formed for the purposes of the Reorganization, and each issued and outstanding share of Walgreens common stock was converted into one share of Walgreens Boots Alliance common stock. Also on December 31, 2014, following the completion of the Reorganization, Walgreens Boots Alliance completed the acquisition pursuant to the call option of the remaining 55% of Alliance Boots that Walgreens did not previously own (the “Second Step Transaction”) in exchange for £3.133 billion (\$4.874 billion) in cash and 144.3 million shares of Walgreens Boots Alliance common stock.

Prior to the completion of the Second Step Transaction, we accounted for our 45% investment in Alliance Boots using the equity method of accounting on a three-month lag. Investments accounted for under the equity method are recorded initially at cost and subsequently adjusted for our share of the net income or loss and cash contributions and distributions to or from these entities. Net income reported by Alliance Boots during this period was translated from British Pounds Sterling at the average rate for the period. Upon completion of the Second Step Transaction, Alliance Boots became a consolidated subsidiary and ceased being accounted for under the equity method. The completion of the Second Step Transaction on December 31, 2014 also means that results for fiscal 2015 include the results of Alliance Boots for eight months (January through August 2015) on a fully consolidated basis and four months (September through December 2014) as equity income from Walgreen’s pre-closing 45 percent interest. The following unaudited pro forma consolidated financial statement and related notes present the statement of earnings of Walgreens Boots Alliance adjusted to reflect the impact of the following:

- the acquisition of the remaining 55% interest in Alliance Boots through the Second Step Transaction. The elimination of the Company’s equity earnings in Alliance Boots, initial 45% equity method investment in Alliance Boots, and intercompany transactions;
- the full consolidation of Alliance Boots operations for fiscal 2015;
- the impact of acquiring the remaining 27.5% effective interest in Walgreens Boots Alliance Development GmbH (“WBAD”), a global sourcing enterprise formed by Walgreens and Alliance Boots; and
- the conversion of the Alliance Boots financial information from IFRS to generally accepted accounting principles in the United States (“US GAAP”) and the translation of British pounds sterling to US dollars.

The unaudited pro forma consolidated statement of earnings for the twelve months ended August 31, 2015 gives effect to the Second Step Transaction as if it had occurred on September 1, 2014, the first day of the Company’s 2015 fiscal year.

The historical financial information of Alliance Boots was prepared in accordance with IFRS and prepared in British pounds sterling. The unaudited pro forma financial statement includes adjustments to convert the financial statements of Alliance Boots from IFRS to US GAAP and to translate the British pounds sterling amounts into US dollars. Management of the Company has reclassified certain line items from the financial statements of Alliance Boots to conform to the presentation of the Company’s financial statements.

The unaudited pro forma consolidated financial statement reflects adjustments to give effect to pro forma events that are directly attributable to the Second Step Transaction, factually supportable, and with respect to the statement of earnings, are expected to have a continuing impact on the combined results. The unaudited pro forma consolidated financial statement should be read in conjunction with the accompanying notes to the unaudited pro forma consolidated financial statement. In addition, the unaudited pro forma consolidated financial statement and notes thereto should be read in conjunction with (1) the Company’s audited consolidated financial statements for the year ended August 31, 2015, and the notes relating thereto, (2) Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the year ended August 31, 2015 and (3) the audited consolidated financial statements of Alliance Boots for the years ended March 31, 2014 and 2013, and the notes relating thereto, contained in the Company’s Current Report on Form 8-K as filed with the Commission on May 15, 2014 and the nine month statements ending December 31, 2014 and 2013 filed as Exhibit 99.2 to the Company’s 2015 Annual Report on Form 10-K.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma consolidated financial information is not intended to represent or be indicative of what the combined company's results of operations actually would have been had the Second Step Transaction been completed as of the date indicated. In addition, the unaudited pro forma consolidated financial information does not purport to project the future financial position or operating results of the combined company. The unaudited pro forma consolidated statement of earnings does not include the impacts of any revenue, cost or other operating synergies that may result from the acquisition of the remaining 55% interest in Alliance Boots or any related one-time related to the Second Step Transaction. The unaudited pro forma consolidated statement of earnings includes recognized synergy benefits achieved from the First Step Transaction as recorded in each company's financial results for the periods presented.

Walgreens Boots Alliance and Subsidiaries
Unaudited Pro Forma Consolidated Statement of Earnings
For the Twelve Months Ended August 31, 2015
(In US \$ millions, except for per share data)

	Four Months Pro Forma Consolidated	Eight Months Pro Forma Consolidated	Full Year Pro Forma Consolidated
Net sales	\$ 40,511	\$ 75,980	\$ 116,491
Cost of sales	29,900	56,617	86,517
Gross Profit	10,611	19,363	29,974
Selling, general and administrative expenses	8,209	16,321	24,530
Equity earnings in Alliance Boots	-	-	-
Operating Income	2,402	3,042	5,444
Interest expense, net	206	405	611
Other income	447	519	966
Earnings Before Income Tax Provision	2,643	3,156	5,799
Income tax provision	791	745	1,536
Share of post-tax earnings from equity method investments	13	25	38
Net Earnings	1,865	2,436	4,301
Net earnings attributable to noncontrolling interests	5	18	23
Net earnings Attributable to Walgreens Boots Alliance, Inc.	\$ 1,860	\$ 2,418	\$ 4,278
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. - basic			\$ 4.10
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. - diluted			\$ 4.06
Average shares outstanding			1,043.2
Dilutive effect of stock options			10.7
Average dilutive shares			1,053.9

See accompanying notes to the unaudited pro forma consolidated financial statements.

Notes to Unaudited Pro Forma Consolidated Financial Statements
(Amounts are Presented in US \$ Millions, unless otherwise stated)

Note 1: Basis of preparation

The unaudited pro forma consolidated financial statement and related notes present the consolidated statement of earnings of the Company adjusted to reflect the Company's exercise of the call option to acquire the remaining 55% of the issued and outstanding share capital of Alliance Boots, in exchange for £3.133 billion in cash (approximately \$4.9 billion at the December 30, 2014 spot rate of \$1.56 to £1.00) and 144.3 million Company common shares with a value of \$11.0 billion based on the December 30, 2014 closing price of \$76.05.

Impact of Alliance Boots Acquisition

As part of the Pro Forma Transaction, Walgreens Boots Alliance acquired the remaining 55% interest in Alliance Boots and increased its interest in WBAD to 100%. Historically, the financial results of WBAD were fully consolidated into the Company's consolidated financial statements with the remaining 27.5% effective interest being recorded as noncontrolling interest. After the Second Step Transaction, Walgreens Boots Alliance owns the additional 27.5% effective interest in WBAD through its 100% ownership of Alliance Boots.

Under ASC 805 Business Combinations, the previously held 45% equity ownership interest in Alliance Boots was remeasured at fair value and any difference between the fair value and the carrying value of the equity interest held was recognized as a gain in the statement of earnings. The one-time gain resulting from the Second Step Transaction was not included in the unaudited pro forma statement of earnings as it will not have a continuing effect on Walgreens Boots Alliance, but was recorded in Walgreens Boots Alliance's financial statements on the acquisition date.

Note 2: Significant accounting policies

The unaudited pro forma consolidated financial information has been compiled using the significant accounting policies as set forth in the Company's audited consolidated financial statements for the year ended August 31, 2015. For the period in which Alliance Boots was accounted for as an equity method investment, adjustments were made to convert the financial statements of Alliance Boots from IFRS to US GAAP, as applied by the Company, and translate the British pounds sterling amounts into US dollars, as set out further in Note 3. Apart from these adjustments, the Company is not aware of any differences that would have a material impact on the combined financial statements.

Note 3: IFRS to US GAAP adjustments and foreign currency translation

For the period in which Alliance Boots was accounted for as an equity method investment, the financial information of Alliance Boots was prepared in accordance with IFRS and prepared in British pounds sterling. The Alliance Boots financial information reflected in the pro forma financial information has been adjusted for differences between IFRS and US GAAP and translated from the British pounds sterling amounts into US dollars. In addition, certain balances were reclassified from the Alliance Boots historical financial statements so that their presentation would be consistent with the Company.