

WALGREENS BOOTS ALLIANCE, INC.

FORM 10-Q (Quarterly Report)

Filed 01/05/17 for the Period Ending 11/30/16

Address	108 WILMOT ROAD DEERFIELD, IL 60015
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)



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

For the Quarterly Period Ended November 30, 2016

or



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

For the transition period from _____ to _____

Commission File Number
001-36759

WALGREENS BOOTS ALLIANCE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

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

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

60015
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Yes No

The number of shares outstanding of the registrant's Common Stock, \$.01 par value, as of December 31, 2016 was 1,079,409,628.

WALGREENS BOOTS ALLIANCE, INC.

FORM 10-Q FOR THE THREE MONTHS ENDED NOVEMBER 30, 2016

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PART I. FINANCIAL INFORMATION

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

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

	November 30, 2016	August 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 9,598	\$ 9,807
Accounts receivable, net	6,138	6,260
Inventories	10,039	8,956
Other current assets	893	860
Total Current Assets	<u>26,668</u>	<u>25,883</u>
Non-Current Assets:		
Property, plant and equipment, net	13,709	14,335
Goodwill	15,203	15,527
Intangible assets, net	9,728	10,302
Equity method investments (see Note 4)	6,136	6,174
Other non-current assets	468	467
Total Non-Current Assets	<u>45,244</u>	<u>46,805</u>
Total Assets	<u>\$ 71,912</u>	<u>\$ 72,688</u>
Liabilities and Equity		
Current Liabilities:		
Short-term borrowings	\$ 1,095	\$ 323
Trade accounts payable (see Note 17)	11,372	11,000
Accrued expenses and other liabilities	4,880	5,484
Income taxes	382	206
Total Current Liabilities	<u>17,729</u>	<u>17,013</u>
Non-Current Liabilities:		
Long-term debt	17,777	18,705
Deferred income taxes	2,516	2,644
Other non-current liabilities	4,198	4,045
Total Non-Current Liabilities	<u>24,491</u>	<u>25,394</u>
Commitments and Contingencies (see Note 9)		
Equity:		
Preferred stock \$.01 par value; authorized 32 million shares, none issued	-	-
Common stock \$.01 par value; authorized 3.2 billion shares; issued 1,172,513,618 at November 30, 2016 and August 31, 2016	12	12
Paid-in capital	10,132	10,111
Employee stock loan receivable	-	(1)
Retained earnings	28,332	27,684
Accumulated other comprehensive (loss) income	(3,810)	(2,992)
Treasury stock, at cost; 93,413,482 shares at November 30, 2016 and 89,527,027 at August 31, 2016	<u>(5,341)</u>	<u>(4,934)</u>
Total Walgreens Boots Alliance, Inc. Shareholders' Equity	29,325	29,880
Noncontrolling interests	367	401
Total Equity	<u>29,692</u>	<u>30,281</u>
Total Liabilities and Equity	<u>\$ 71,912</u>	<u>\$ 72,688</u>

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

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

For the three months ended November 30, 2016
(In millions, except shares)

Equity attributable to Walgreens Boots Alliance, Inc.									
	Common Stock Shares	Common Stock Amount	Treasury Stock Amount	Paid-In Capital	Employee Stock Loan Receivable	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Noncontrolling Interests	Total Equity
August 31, 2016	1,082,986,591	\$ 12	\$ (4,934)	\$ 10,111	\$ (1)	\$ (2,992)	\$ 27,684	\$ 401	\$ 30,281
Net earnings	-	-	-	-	-	-	1,054	13	1,067
Other comprehensive income (loss), net of tax	-	-	-	-	-	(818)	-	(47)	(865)
Dividends declared (\$0.375 per share)	-	-	-	-	-	-	(406)	-	(406)
Treasury stock purchases	(5,600,000)	-	(457)	-	-	-	-	-	(457)
Employee stock purchase and option plans	1,713,545	-	50	(5)	1	-	-	-	46
Stock-based compensation	-	-	-	26	-	-	-	-	26
November 30, 2016	1,079,100,136	\$ 12	\$ (5,341)	\$ 10,132	\$ -	\$ (3,810)	\$ 28,332	\$ 367	\$ 29,692

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

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

	Three Months Ended November 30,	
	2016	2015
Sales	\$ 28,501	\$ 29,033
Cost of sales	21,385	21,614
Gross Profit	7,116	7,419
Selling, general and administrative expenses	5,686	5,951
Equity earnings in AmerisourceBergen	17	-
Operating Income	1,447	1,468
Other income (expense)	1	(57)
Earnings Before Interest and Income Tax Provision	1,448	1,411
Interest expense, net	173	138
Earnings Before Income Tax Provision	1,275	1,273
Income tax provision	220	167
Post tax earnings from other equity method investments	12	11
Net Earnings	1,067	1,117
Net earnings attributable to noncontrolling interests	13	7
Net Earnings Attributable to Walgreens Boots Alliance, Inc.	\$ 1,054	\$ 1,110
Net earnings per common share:		
Basic	\$ 0.97	\$ 1.02
Diluted	\$ 0.97	\$ 1.01
Dividends declared per share	\$ 0.375	\$ 0.360
Weighted average common shares outstanding:		
Basic	1,082.1	1,089.0
Diluted	1,088.3	1,098.6

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

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

	Three Months Ended November 30,	
	2016	2015
Comprehensive Income		
Net Earnings	\$ 1,067	\$ 1,117
Other comprehensive income (loss), net of tax:		
Pension/postretirement obligations	(9)	3
Unrealized gain on cash flow hedges	1	1
Unrecognized (loss) gain on available-for-sale investments	(1)	1
Share of other comprehensive (loss) income of equity method investments	(1)	-
Currency translation adjustments	(855)	(450)
Total Other Comprehensive Income (Loss)	(865)	(445)
Total Comprehensive Income	202	672
Comprehensive (loss) income attributable to noncontrolling interests	(34)	6
Comprehensive Income Attributable to Walgreens Boots Alliance, Inc.	\$ 236	\$ 666

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

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

	Three Months Ended November 30,	
	2016	2015
Cash Flows from Operating Activities :		
Net earnings	\$ 1,067	\$ 1,117
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	419	382
Change in fair value of warrants and related amortization	-	57
Deferred income taxes	(61)	(158)
Stock compensation expense	26	31
Equity earnings from equity method investments	(29)	(11)
Other	81	115
Changes in operating assets and liabilities:		
Accounts receivable, net	(259)	(166)
Inventories	(1,330)	(1,306)
Other current assets	(109)	(38)
Trade accounts payable	884	740
Accrued expenses and other liabilities	(378)	(329)
Income taxes	217	231
Other non-current assets and liabilities	(3)	67
Net cash provided by operating activities	525	732
Cash Flows from Investing Activities :		
Additions to property, plant and equipment	(378)	(340)
Proceeds from sale leaseback transactions	436	54
Proceeds from sale of businesses	-	43
Proceeds from sale of other assets	26	40
Business and intangible asset acquisitions, net of cash received	(15)	(72)
Other	20	4
Net cash provided by (used) for investing activities	89	(271)
Cash Flows from Financing Activities :		
Proceeds and payments from short-term borrowings, net	49	52
Payments of long-term debt	(4)	(41)
Stock purchases	(457)	(529)
Proceeds related to employee stock plans	41	71
Cash dividends paid	(406)	(393)
Other	(1)	(13)
Net cash used for financing activities	(778)	(853)
Effect of exchange rate changes on cash and cash equivalents	(45)	(38)
Changes in Cash and Cash Equivalents :		
Net decrease in cash and cash equivalents	(209)	(430)
Cash and cash equivalents at beginning of period	9,807	3,000
Cash and cash equivalents at end of period	\$ 9,598	\$ 2,570

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

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

Note 1. Accounting Policies

Basis of Presentation

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

The Consolidated Condensed Balance Sheet as of November 30, 2016, the Consolidated Condensed Statement of Equity for the three months ended November 30, 2016, and the Consolidated Condensed Statements of Earnings, the Consolidated Condensed Statements of Comprehensive Income and the Consolidated Condensed Statements of Cash Flows for the three months ended November 30, 2016 and 2015 are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited Consolidated Condensed Financial Statements should be read in conjunction with the audited financial statements and the notes thereto included in the Walgreens Boots Alliance Annual Report on Form 10-K for the fiscal year ended August 31, 2016.

In the opinion of the Company, the unaudited Consolidated Condensed Financial Statements for the interim periods presented include all adjustments (consisting only of normal recurring adjustments) necessary to present a fair statement of the results for such interim periods. The 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. With respect to the Company’s Retail Pharmacy USA segment, the positive impact on gross 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 margins and gross profit dollars making the Company’s operations or net earnings for any period incomparable.

To improve comparability, certain classification changes were made to the prior period to conform to current year classifications. These reclassifications were made in the fourth quarter of fiscal 2016.

Note 2. Restructuring

On April 8, 2015, the Walgreens Boots Alliance Board of Directors approved a plan to implement a new restructuring program (the “Cost Transformation Program”) as part of an initiative to reduce costs and increase operating efficiencies. The Cost Transformation Program implemented and built on the cost-reduction initiative previously announced by the Company on August 6, 2014 and included plans to close 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 segment. From inception through November 30, 2016, the Company incurred pre-tax charges of \$1.0 billion (\$496 million related to asset impairment charges, \$302 million in real estate costs and \$249 million in severance and other business transition and exit costs) related to the Cost Transformation Program. All charges related to the Cost Transformation Program have been recorded within selling, general and administrative expenses. Restructuring charges are recognized as the costs are incurred in accordance with GAAP.

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

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Walgreens Boots Alliance, Inc.
Three Months Ended November 30, 2016				
Asset impairments	\$ 46	\$ 2	\$ -	\$ 48
Real estate costs	9	-	-	9
Severance and other business transition and exit costs	17	4	3	24
Total restructuring costs	<u>\$ 72</u>	<u>\$ 6</u>	<u>\$ 3</u>	<u>\$ 81</u>
Three Months Ended November 30, 2015				
Asset impairments	\$ 25	\$ -	\$ -	\$ 25
Real estate costs	52	-	-	52
Severance and other business transition and exit costs	8	5	-	13
Total restructuring costs	<u>\$ 85</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 90</u>

The changes in Accrued expenses related to Cost Transformation include the following (in millions):

	Asset Impairments	Real estate costs	Severance and other business transition and exit costs	Total
Balance at August 31, 2016	\$ -	\$ 248	\$ 27	\$ 275
Costs incurred, net of expected sublease income	48	9	24	81
Payments	-	(12)	(22)	(34)
Other - non cash	(48)	-	-	(48)
Currency translation adjustments	-	-	(2)	(2)
Balance at November 30, 2016	<u>\$ -</u>	<u>\$ 245</u>	<u>\$ 27</u>	<u>\$ 272</u>

Note 3. Operating Leases

Initial lease term for premises in the U.S. is 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. For the three months ended November 30, 2016 and November 30, 2015, the Company recorded proceeds from sale-leaseback transactions of \$436 million and \$54 million, respectively. The Company has determined they no longer have continuing involvement related to these transactions and in accordance with the accounting standards related to sale-leaseback transactions has recognized any loss on sale immediately, any gain on sale was deferred and amortized over the life of the lease. Gains and losses are recorded within selling, general and administrative expenses in the Consolidated Condensed Statements of Earnings.

The Company provides for future costs related to closed locations. The liability is based on the present value of future rent obligations and other related costs (net of estimated sublease rent) to the first lease option date. During the three months ended November 30, 2016, the Company recorded charges of \$17 million for facilities that were closed or relocated under long-term leases, including stores closed through the Company's restructuring activities. This compares to \$66 million for the three months ended November 30, 2015. These charges are reported in selling, general and administrative expenses in the Consolidated Condensed Statements of Earnings.

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

	For the three months ended November 30, 2016	For the twelve months ended August 31, 2016
Balance at beginning of period	\$ 466	\$ 446
Provision for present value of non-cancellable lease payments on closed facilities	13	134
Assumptions about future sublease income, terminations and changes in interest rates	(1)	(34)
Interest accretion	5	27
Cash payments, net of sublease income	(27)	(107)
Balance at end of period	<u>\$ 456</u>	<u>\$ 466</u>

As of November 30, 2016, the Company remains secondarily liable on 72 leases. The maximum potential undiscounted future payments are \$334 million at November 30, 2016.

Note 4. Equity Method Investments

Equity method investments as of November 30, 2016 and August 31, 2016, are as follows (in millions, except percentages):

	November 30, 2016		August 31, 2016	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
AmerisourceBergen	\$ 4,968	26%	\$ 4,964	24%
Others	1,168	12% - 50%	1,210	12% - 50%
Total	<u>\$ 6,136</u>		<u>\$ 6,174</u>	

AmerisourceBergen Investment

As of November 30, 2016 and August 31, 2016, the Company owned 56,854,867 AmerisourceBergen Corporation (“AmerisourceBergen”) common shares, representing approximately 26% and 24% of the outstanding AmerisourceBergen common stock, respectively. The Company accounts for its equity investment in AmerisourceBergen using the equity method of accounting, with the net earnings attributable to the Company’s investment being classified within the operating income of its Pharmaceutical Wholesale segment. Due to the timing and availability of financial information of AmerisourceBergen, the Company accounts for this equity method investment on a financial reporting lag of two months. Equity earnings from AmerisourceBergen is reported as a separate line in the Consolidated Condensed Statements of Earnings. The level 1 fair market value of the Company’s equity investment in AmerisourceBergen common stock at November 30, 2016 is \$4.4 billion.

The Company’s investment in AmerisourceBergen carrying value exceeded its proportionate share of the net assets of AmerisourceBergen by \$4.4 billion. This premium of \$4.4 billion was recognized as part of the carrying value in the Company’s equity investment in AmerisourceBergen. The difference was primarily related to goodwill and the fair value of AmerisourceBergen intangible assets.

Other Investments

The Company’s other equity method investments include its investments in Guangzhou Pharmaceuticals Corporation and Nanjing Pharmaceutical Corporation Limited, the Company’s pharmaceutical wholesale investments in China; and the equity method investment retained through the sale of a majority interest in Option Care Inc. in fiscal 2015. The Company reported \$12 million and \$11 million of post-tax equity earnings from equity method investments other than AmerisourceBergen for the three months ended November 30, 2016 and November 30, 2015, respectively.

Note 5. Goodwill and Other Intangible Assets

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

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Walgreens Boots Alliance, Inc.
August 31, 2016	\$ 9,036	\$ 3,369	\$ 3,122	\$ 15,527
Currency translation adjustments	-	(160)	(164)	(324)
November 30, 2016	<u>\$ 9,036</u>	<u>\$ 3,209</u>	<u>\$ 2,958</u>	<u>\$ 15,203</u>

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

	<u>November 30, 2016</u>	<u>August 31, 2016</u>
Gross Amortizable Intangible Assets		
Customer relationships and loyalty card holders	\$ 1,765	\$ 1,867
Purchased prescription files	939	932
Favorable lease interests and non-compete agreements	572	619
Trade names and trademarks	508	532
Purchasing and payer contracts	94	94
Total gross amortizable intangible assets	<u>3,878</u>	<u>4,044</u>
Accumulated amortization		
Customer relationships and loyalty card holders	\$ 295	\$ 275
Purchased prescription files	625	600
Favorable lease interests and non-compete agreements	358	388
Trade names and trademarks	115	105
Purchasing and payer contracts	72	71
Total accumulated amortization	<u>1,465</u>	<u>1,439</u>
Total amortizable intangible assets, net	<u>\$ 2,413</u>	<u>\$ 2,605</u>
Indefinite lived Intangible Assets		
Trade names and trademarks	\$ 5,326	\$ 5,604
Pharmacy licenses	1,989	2,093
Total indefinite lived intangible assets	<u>\$ 7,315</u>	<u>\$ 7,697</u>
Total intangible assets, net	<u>\$ 9,728</u>	<u>\$ 10,302</u>

Amortization expense for intangible assets was \$95 million and \$92 million for the three months ended November 30, 2016 and November 30, 2015, respectively.

Estimated annual amortization expense for intangible assets recorded at November 30, 2016 is as follows (in millions):

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Estimated annual amortization expense	\$ 346	\$ 311	\$ 285	\$ 225	\$ 186

Note 6. Borrowings

Borrowings consist of the following (all amounts are presented in millions of U.S. dollars and debt issuances are denominated in U.S. dollars, unless otherwise noted)

	<u>November 30, 2016</u>	<u>August 31, 2016</u>
Short-Term Borrowings (1)		
1.750% unsecured notes due 2017 (5)(7)	\$ 748	\$ -
Unsecured Pound Sterling variable rate term loan due 2019	68	63
Other (2)	279	260
Total short-term borrowings	<u>\$ 1,095</u>	<u>\$ 323</u>
Long-Term Debt (1)		
Unsecured Pound Sterling variable rate term loan due 2019	\$ 1,735	\$ 1,833
<i>\$6 Billion Note Issuance (5)(7)</i>		
1.750% unsecured notes due 2018	1,247	1,246
2.600% unsecured notes due 2021	1,493	1,493
3.100% unsecured notes due 2023	745	744
3.450% unsecured notes due 2026	1,886	1,885
4.650% unsecured notes due 2046	590	590
<i>\$8 Billion Note Issuance (5)(7)</i>		
1.750% unsecured notes due 2017	-	746
2.700% unsecured notes due 2019	1,245	1,244
3.300% unsecured notes due 2021	1,242	1,242
3.800% unsecured notes due 2024	1,987	1,987
4.500% unsecured notes due 2034	494	494
4.800% unsecured notes due 2044	1,492	1,492
<i>£700 Million Note Issuance (1)(5)(7)</i>		
2.875% unsecured Pound Sterling notes due 2020	495	521
3.600% unsecured Pound Sterling notes due 2025	371	391
<i>€750 Million Note Issuance (1)(5)(7)</i>		
2.125% unsecured Euro notes due 2026	790	830
<i>\$4 Billion Note Issuance (6)(7)</i>		
3.100% unsecured notes due 2022	1,194	1,194
4.400% unsecured notes due 2042	492	492
<i>\$1 Billion Note Issuance (6)(7)</i>		
5.250% unsecured notes due 2019 (3)	249	249
Other (4)	30	32
Total long-term debt, less current portion	<u>\$ 17,777</u>	<u>\$ 18,705</u>

- (1) All notes are presented net of unamortized discount and debt issuance costs, where applicable, and foreign currency denominated borrowings have been translated using the spot rates at November 30, 2016 and August 31, 2016, respectively.
- (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.
- (3) Includes interest rate swap fair market value adjustments. See Note 8, Fair Value Measurements for additional fair value disclosures.
- (4) Other long-term debt represents a mix of fixed and variable rate borrowings in various foreign currencies with various maturities.
- (5) Notes are unsubordinated debt obligations of Walgreens Boots Alliance and rank equally in right of payment with all other unsecured and unsubordinated indebtedness of Walgreens Boots Alliance from time to time outstanding.
- (6) Notes are senior debt obligations of Walgreens 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.
- (7) The fair value & carrying value of the \$6 billion, \$8 billion, £0.7 billion, €0.75 billion, \$4 billion and \$1 billion note issuances as of November 30, 2016 was \$5.9 billion & \$6.0 billion, \$7.3 billion & \$7.2 billion, \$0.9 billion & \$0.9 billion, \$0.8 billion & \$0.8 billion, \$1.7 billion & \$1.7 billion and \$0.3 billion & \$0.2 billion, respectively. The fair values of the notes outstanding are Level 1 fair value measures and determined based on quoted market price and translated at the November 30, 2016 spot rate, as applicable.

\$6.0 Billion Note Issuance

On June 1, 2016, Walgreens Boots Alliance received net proceeds (after deducting underwriting discounts and offering expenses) of \$6.0 billion from a public offering of five series of U.S. dollar notes with varying maturities and interest rates. Total issuance costs relating to the notes, including underwriting discounts and offering expenses, were \$30 million. In the event that the merger contemplated by the Agreement and Plan of Merger dated as of October 27, 2015 among the Company, Rite Aid Corporation (“Rite Aid”) and Victoria Merger Sub, Inc., a wholly-owned subsidiary of the Company (the “Merger Agreement”) is not consummated on or prior to June 1, 2017 (the first anniversary of the issuance date of the notes) or if the Merger Agreement is terminated at any time on or prior to June 1, 2017, then Walgreens Boots Alliance will be required to redeem the notes due 2018, the notes due 2021 and the notes due 2023 (but not the notes due 2026 or notes due 2046) on the date described in the applicable note at a redemption price equal to 101% of the aggregate principal amount of the notes to be redeemed, plus accrued and unpaid interest from and including the date of initial issuance, or the most recent date to which interest has been paid, whichever is later, to, but excluding, the date of redemption.

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The notes issued on June 1, 2016 contain redemption terms which allow or require the Company to redeem the notes at defined redemption prices plus accrued and unpaid interest at redemption dates set forth in the applicable series of notes. Interest on the notes issued on June 1, 2016 is payable semi-annually.

Bridge Credit Agreement, 2015 Term Loan Credit Agreement and 2016 Term Loan Credit Agreement

On October 27, 2015, in connection with the pending acquisition of Rite Aid Corporation (the “Acquisition”), the Company entered into a \$12.8 billion bridge credit facility commitment letter (as amended and restated, the “Bridge Commitment Letter”).

On December 18, 2015, the Company entered into a Bridge Term Loan Credit Agreement with the lender party thereto (as amended, the “Bridge Credit Agreement”) and a Term Loan Credit Agreement with the lenders party thereto (as amended, the “2015 Term Loan Credit Agreement”). The Bridge Commitment Letter and the commitments contemplated thereby terminated upon the Company entering into the Bridge Credit Agreement and the 2015 Term Loan Credit Agreement. The Bridge Credit Agreement is a 364-day unsecured bridge term loan facility and had initial aggregate commitments of \$7.8 billion, which may be increased by the Company prior to the funding of the loans thereunder by up to \$2.0 billion in certain circumstances. As a result of the issuance of the notes and receipt of proceeds therefrom on June 1, 2016 as described above and the entry into the term loan credit agreement on August 30, 2016 as described below, the Company reduced the commitment under the Bridge Credit Agreement by approximately \$6.0 billion and \$1 billion, respectively, to approximately \$0.8 billion. The Company can extend up to \$3.0 billion of the loans under the Bridge Credit Agreement for an additional 90-day period if desired. The 2015 Term Loan Credit Agreement is a \$5.0 billion unsecured term loan facility comprising two tranches with maturities three and five years following the funding date or, if earlier, three and five years after October 27, 2016.

On August 30, 2016, the Company entered into a \$1.0 billion senior unsecured term loan facility with the lender party thereto (the “2016 Term Loan Credit Agreement”, and together with the Bridge Term Loan Credit Agreement and the 2015 Term Loan Credit agreement the “Credit Agreements”) comprising two tranches with maturities on March 30, 2017 and one year after the funding date, respectively.

Walgreens Boots Alliance will be the borrower under each of the Credit Agreements. The obligations of the lenders party to each of the Credit Agreements become effective upon the date of closing of the transactions contemplated by the Merger Agreement. The ability of the Company to request the funding of loans under each Credit Agreement is subject to the satisfaction (or waiver) of certain conditions set forth therein and will terminate upon the occurrence of certain events set forth therein. Commitments to provide loans under the Credit Agreements will expire on January 27, 2017 unless mutually extended by the parties. As of November 30, 2016, there were no borrowings under any of the Credit Agreements.

Debt covenants

The Company’s credit facilities contain a covenant to maintain, as of the last day of each fiscal quarter, a ratio of consolidated debt to total capitalization not to exceed 0.60:1.00. The credit facilities contain various other customary covenants. In the case of the Bridge Credit Agreement, the 2015 Term Loan Credit Agreement and the 2016 Term Loan Credit Agreement, such covenants are not in effect until the loans under each such credit facility are funded.

Other Borrowings

The Company periodically borrows under its commercial paper program. There were no commercial paper borrowings outstanding as of November 30, 2016 or August 31, 2016, respectively. The Company had no activity under its commercial paper program for the three months ended November 30, 2016. The Company had average daily short-term borrowings of \$14 million of commercial paper outstanding at a weighted average interest rate of 0.66% for the twelve month period ended August 31, 2016.

Note 7. Financial Instruments

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

The notional amounts, fair value and balance sheet presentation of derivative instruments outstanding as of November 30, 2016 and August 31, 2016 are as follows (in millions):

	November 30, 2016		August 31, 2016		Location in Consolidated Condensed Balance Sheets
	Notional (1)	Fair Value	Notional (1)	Fair Value	
Derivatives designated as fair value hedges :					
Interest rate swaps	\$ 250	\$ -	\$ 250	\$ 3	Other non-current assets
Derivatives not designated as hedges :					
Foreign currency forwards	786	11	1,177	16	Other current assets
Foreign currency forwards	304	2	41	-	Other current liabilities
Basis swaps	2	1	2	1	Other current liabilities

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

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.

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 holds interest rate swaps converting \$250 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. All swap termination dates coincide with the notes maturity date, January 15, 2019. These swaps were designated as fair value hedges.

The gains and losses due to changes in fair value on the swaps and on the hedged notes attributable to interest rate risk were not material.

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 long-term debt on the Consolidated Condensed Balance Sheets (see Note 6, Borrowings). At November 30, 2016 and August 31, 2016, the cumulative fair value adjustments resulted in an increase in long-term debt of \$1 million and \$2 million, respectively. No material gains or losses were recorded from ineffectiveness during the three months ended November 30, 2016.

Derivatives not Designated as Hedges

The Company enters into derivative transactions that are not designated as accounting hedges. These derivative instruments are economic hedges of foreign currency risks. The gains and (losses) due to changes in fair value of these derivative instruments were recognized in earnings as follows (in millions):

	Location in Consolidated Condensed Statements of Earnings	Three Months Ended November 30,	
		2016	2015
Foreign currency forwards	Selling, general and administrative expense	\$ 50	\$ (2)
Foreign currency forwards	Other income (expense)	\$ 1	\$ -

Derivatives Credit Risk

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

Derivatives Offsetting

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

Note 8. 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.

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

	<u>November 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets :				
Restricted cash (1)	\$ 174	\$ 174	\$ -	\$ -
Money market funds (2)	8,624	8,624	-	-
Available-for-sale investments (3)	28	28	-	-
Foreign currency forwards (5)	11	-	11	-
Liabilities :				
Foreign currency forwards (5)	2	-	2	-
Basis swaps (5)	1	-	1	-

	<u>August 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets :				
Restricted cash (1)	\$ 185	\$ 185	\$ -	\$ -
Money market funds (2)	9,133	9,133	-	-
Available-for-sale investments (3)	32	32	-	-
Interest rate swaps (4)	3	-	3	-
Foreign currency forwards (5)	16	-	16	-
Liabilities :				
Basis swaps (5)	1	-	1	-

- (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.
- (4) The fair value of interest rate swaps is calculated by discounting the estimated future cash flows based on the applicable observable yield curves. See Note 7, Financial Instruments for additional information.
- (5) The fair value of basis swaps and forward currency contracts is estimated by discounting the difference between the contractual forward price and the current available forward price for the residual maturity of the contract using observable market rates.

There were no transfers between levels for the three months ended November 30, 2016.

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 6, Borrowings for further information. The carrying values of accounts receivable and trade accounts payable approximated their respective fair values due to their short-term nature.

Note 9. 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.

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

On December 5 and 12, 2014, putative shareholders filed class actions in federal court in the Northern District of Illinois against the Walgreens Board of Directors, Walgreen Co., and Walgreens Boots Alliance, Inc. arising out of the Company's definitive proxy statement/prospectus filed with the SEC in connection with the special meeting of Walgreens shareholders on December 29, 2014. The actions asserted claims that the definitive proxy statement/prospectus was false or misleading in various respects. On December 23, 2014, solely to avoid the costs, risks and uncertainties inherent in litigation, and without admitting any liability or wrongdoing, Walgreens entered into a memorandum of understanding with the plaintiffs in both actions, pursuant to which Walgreens made certain supplemental disclosures. The proposed settlement was subject to, among other things, court approval. On July 8, 2015, the Court preliminarily approved the settlement, and on November 20, 2015, the Court entered an order of final approval of the settlement. On December 17, 2015, a purported class member who had objected to the settlement appealed the Court's order. The appeal was docketed with the United States Court of Appeals for the Seventh Circuit. Oral argument was held on June 2, 2016. On August 10, 2016, the Seventh Circuit issued an order reversing the district court's judgment approving the settlement and remanding the case for further proceedings. On December 8, 2016, plaintiffs voluntarily dismissed the consolidated actions without prejudice.

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

On April 10, 2015, a putative shareholder filed a securities class action in federal court in the Northern District of Illinois against Walgreen Co. and certain former officers of Walgreen Co. The action asserts claims for violation of the federal securities laws arising out of certain public statements the Company made regarding its former fiscal 2016 goals. On June 16, 2015, the Court entered an order appointing a lead plaintiff. Pursuant to the Court's order, lead plaintiff filed an amended complaint on August 17, 2015, and defendants moved to dismiss the amended complaint on October 16, 2015. Lead plaintiff filed a response to the motion to dismiss on December 22, 2015, and defendants filed a reply in support of the motion on February 5, 2016. On September 30, 2016, the Court issued an order granting in part and denying in part Walgreen Co.'s motion to dismiss. Defendants filed their answer to the amended complaint on November 4, 2016.

As of November 30, 2016, the Company was aware of ten putative class action lawsuits (the "Rite Aid actions") filed by purported Rite Aid stockholders against Rite Aid and its board of directors, Walgreens Boots Alliance and Victoria Merger Sub, Inc. for claims arising out of the transactions contemplated by the Merger Agreement (the "Rite Aid Transactions"). Eight of the Rite Aid actions were filed in the Court of Chancery of the State of Delaware (the "Delaware actions"), one Rite Aid action was filed in the State of Pennsylvania in the Court of Common Pleas of Cumberland County (the "Pennsylvania action"), and one Rite Aid action was filed in the United States District Court for the Middle District of Pennsylvania (the "federal action"). The Delaware actions and the Pennsylvania action primarily alleged that the Rite Aid board of directors breached its fiduciary duties in connection with the Rite Aid Transactions by, among other things, agreeing to an unfair and inadequate price, agreeing to deal protection devices that preclude other bidders from making successful competing offers for Rite Aid, and failing to disclose all allegedly material information concerning the proposed merger; and also allege that Walgreens Boots Alliance and Victoria Merger Sub, Inc. aided and abetted these alleged breaches of fiduciary duty. The federal action alleges, among other things, that Rite Aid and its board of directors disseminated an allegedly false and misleading proxy statement in connection with the Rite Aid Transactions. The Delaware actions were consolidated, and plaintiffs filed a motion for expedited proceedings and a motion for preliminary injunction seeking to enjoin the Rite Aid shareholder vote on the Rite Aid Transactions. The plaintiffs in the federal action also filed a motion for preliminary injunction seeking to enjoin the same Rite Aid shareholder vote. All such motions were denied, and the Rite Aid shareholders approved the Rite Aid Transactions at a special meeting on February 4, 2016. On April 15, 2016, the plaintiffs in the Delaware actions agreed to a settlement in principle related to this matter for an immaterial amount. In the federal action, plaintiffs agreed to stay the litigation until after the Rite Aid Transactions have closed.

Note 10. Retirement Benefits

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

Effective September 1, 2016, for UK and U.S. benefit plans previously using the yield curve approach to establish discount rates, the Company changed the method used to calculate the service cost and interest cost components of net periodic benefit costs for pension and postretirement benefit plans and will measure these costs by applying the specific spot rates along the yield curve to the plans' projected cash flows. The Company believes the new approach provides a more precise measurement of service and interest costs by improving the correlation between projected cash flows and the corresponding spot yield curve rates. The change does not affect the measurement of the Company's pension and other postretirement benefit obligations for those plans and is accounted for as a change in accounting estimate, which is applied prospectively.

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

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

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

	Three Months Ended November 30,	
	2016	2015
Service costs	\$ 2	\$ 1
Interest costs	43	81
Expected returns on plan assets	(37)	(65)
Total net periodic pension costs	\$ 8	\$ 17

The Company made cash contributions to its defined benefit pension plans of \$8 million for the three months ended November 30, 2016, which primarily related to committed funded payments. The Company plans to contribute an additional \$62 million to its defined benefit pension plans in fiscal 2017.

Defined Contribution Plans

The principal retirement plan for U.S. employees is the Walgreen Profit-Sharing Retirement Trust, to which both the Company and participating employees contribute. The Company's contribution, which has historically related to adjusted FIFO earnings before interest and taxes and a portion of which is in the form of a guaranteed match, is determined annually at the discretion of the Walgreens Boots Alliance Board of Directors (or Compensation Committee thereof). The profit-sharing provision was an expense of \$57 million for the three months ended November 30, 2016 compared to expense of \$58 million in the three months ended November 30, 2015.

The Company also has other contract based defined contribution arrangements, including the Alliance Healthcare & Boots Retirement Savings Plan, to which both the Company and participating employees contribute. The cost recognized in the Consolidated Condensed Statements of Earnings for the three months ended November 30, 2016 was \$28 million compared to a cost of \$35 million in the three months ended November 30, 2015.

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.

Note 11. Earnings Per Share

The dilutive effect of outstanding stock options on earnings per share is calculated using the treasury stock method. Stock options are anti-dilutive and excluded from the earnings per share calculation if the exercise price exceeds the average market price of the common shares. There were 4.0 million outstanding options to purchase common shares that were anti-dilutive and excluded from the first quarter earnings per share calculation as of November 30, 2016 compared to 1.1 million as of November 30, 2015.

Note 12. Depreciation and Amortization

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

	Three Months Ended November 30,	
	2016	2015
Depreciation expense	\$ 335	\$ 298
Intangible asset and other amortization	84	84
Total depreciation and amortization expense	<u>\$ 419</u>	<u>\$ 382</u>

Note 13. Supplemental Cash Flow Disclosures

Interest paid was \$246 million and \$250 million for the three months ended November 30, 2016 and November 30, 2015, respectively. Cash paid for income taxes was \$63 million and \$50 million in the three months ended November 30, 2016 and November 30, 2015, respectively.

Note 14. Accumulated Other Comprehensive Income (Loss)

The following is a summary of net changes in accumulated other comprehensive income by component and net of tax for the three months ended November 30, 2016 and November 30, 2015 (in millions):

	Pension/ post- retirement obligations	Unrecognized gain (loss) on available-for- sale investments	Unrealized gain (loss) on cash flow hedges	Share of OCI of equity method investments	Currency translation adjustment	Total
Balance at August 31, 2016	\$ (212)	\$ 2	\$ (37)	\$ (1)	\$ (2,744)	\$ (2,992)
Other comprehensive income (loss)	(11)	(1)	1	(1)	(808)	(820)
Tax benefit	2	-	-	-	-	2
Net other comprehensive income (loss)	(9)	(1)	1	(1)	(808)	(818)
Balance at November 30, 2016	<u>\$ (221)</u>	<u>\$ 1</u>	<u>\$ (36)</u>	<u>\$ (2)</u>	<u>\$ (3,552)</u>	<u>\$ (3,810)</u>

	Pension/ post- retirement obligations	Unrecognized gain (loss) on available-for- sale investments	Unrealized gain (loss) on cash flow hedges	Share of OCI of equity method investments	Currency translation adjustment	Total
Balance at August 31, 2015	\$ 29	\$ 259	\$ (40)	\$ -	\$ (462)	\$ (214)
Other comprehensive income (loss) before reclassification adjustments	3	(5)	-	-	(449)	(451)
Amounts reclassified from accumulated OCI	-	-	1	-	-	1
Tax benefit	-	6	-	-	-	6
Net other comprehensive income (loss)	3	1	1	-	(449)	(444)
Balance at November 30, 2015	<u>\$ 32</u>	<u>\$ 260</u>	<u>\$ (39)</u>	<u>\$ -</u>	<u>\$ (911)</u>	<u>\$ (658)</u>

Note 15. Segment Reporting

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

- The Retail Pharmacy USA segment consists of retail drugstores and convenient care clinics and the provision of specialty pharmacy services. Revenues for the segment are principally derived from the sale of prescription drugs and a wide assortment of general merchandise, including non-prescription drugs, beauty products, photo finishing, seasonal merchandise, greeting cards and convenience foods.
- The Retail Pharmacy International segment consists primarily of pharmacy-led health and beauty stores and optical practices. 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 pharmaceutical wholesaling and distribution businesses and an equity method investment in AmerisourceBergen reported on a two-month lag. Wholesale operations are located in France, the United Kingdom, Germany, Turkey, Spain, 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.

Results for each reportable segment include the allocation of procurement rebates and corporate-related overhead costs. The “Eliminations” column includes intersegment sales and the profit on these intersegment sales to the extent the inventory has not been subsequently sold externally.

To improve comparability, certain classification changes were made to prior period Sales, Cost of sales and Selling, general and administrative expenses. These changes had no impact on Operating Income. The reclassifications were made in the fourth quarter of fiscal 2016.

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

	<u>Retail Pharmacy USA</u>	<u>Retail Pharmacy International</u>	<u>Pharmaceutical Wholesale</u>	<u>Eliminations</u>	<u>Walgreens Boots Alliance, Inc.</u>
Three Months Ended November 30, 2016					
Sales to external customers	\$ 20,659	\$ 2,962	\$ 4,880	\$ -	\$ 28,501
Intersegment sales	-	-	537	(537)	-
Sales	<u>\$ 20,659</u>	<u>\$ 2,962</u>	<u>\$ 5,417</u>	<u>\$ (537)</u>	<u>\$ 28,501</u>
Adjusted Operating Income	<u>\$ 1,289</u>	<u>\$ 213</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 1,726</u>
Three Months Ended November 30, 2015					
Sales to external customers	\$ 20,370	\$ 3,459	\$ 5,204	\$ -	\$ 29,033
Intersegment sales	-	-	592	(592)	-
Sales	<u>\$ 20,370</u>	<u>\$ 3,459</u>	<u>\$ 5,796</u>	<u>\$ (592)</u>	<u>\$ 29,033</u>
Adjusted Operating Income	<u>\$ 1,243</u>	<u>\$ 315</u>	<u>\$ 166</u>	<u>\$ (5)</u>	<u>\$ 1,719</u>

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

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Three Months Ended November 30, 2016					
Adjusted Operating Income	\$ 1,289	\$ 213	\$ 224	\$ -	\$ 1,726
Acquisition-related amortization					(82)
Cost transformation					(81)
LIFO provision					(58)
Adjustments to equity earnings in AmerisourceBergen					(41)
Acquisition-related costs					(17)
Operating Income					<u>\$ 1,447</u>
Three Months Ended November 30, 2015					
Adjusted Operating Income	\$ 1,243	\$ 315	\$ 166	\$ (5)	\$ 1,719
Acquisition-related amortization					(81)
Cost transformation					(90)
LIFO provision					(46)
Acquisition-related costs					(34)
Operating Income					<u>\$ 1,468</u>

Note 16. Recent Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2017 (fiscal 2019), and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the effect this ASU will have on our consolidated statement of cash flows.

In October 2016, the FASB issued ASU 2016-17, Consolidation (Topic 810) Interests Held through Related Parties That Are under Common Control. This ASU amends the consolidation guidance on how a reporting entity that is the single decision maker of a variable interest entity (“VIE”) should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. Under the amendments, a single decision maker is not required to consider indirect interests held through related parties that are under common control with the single decision maker to be the equivalent of direct interests in their entirety. Instead, a single decision maker is required to include those interests on a proportionate basis consistent with indirect interests held through other related parties. This ASU is effective for fiscal years beginning after December 15, 2016 (fiscal 2018), and interim periods within those fiscal years, with early adoption permitted. The Company is evaluating the effect of adopting this new accounting guidance.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740) Intra-Entity Transfers of Assets Other Than Inventory. Topic 740, Income Taxes, prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. In addition, interpretations of this guidance have developed in practice for transfers of certain intangible and tangible assets. This prohibition on recognition is an exception to the principle of comprehensive recognition of current and deferred income taxes in GAAP. To more faithfully represent the economics of intra-entity asset transfers, the amendments in this ASU require that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in this Update do not change GAAP for the pre-tax effects of an intra-entity asset transfer under Topic 810, Consolidation, or for an intra-entity transfer of inventory. This ASU is effective for fiscal years beginning after December 15, 2017 (fiscal 2019), including interim periods within those fiscal years, with early adoption permitted. The Company is evaluating the effect of adopting this new accounting guidance.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU addresses the classification of certain specific cash flow issues including debt prepayment or extinguishment costs, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of certain insurance claims and distributions received from equity method investees. This ASU is effective for fiscal years beginning after December 15, 2017 (fiscal 2019), and interim periods within those fiscal years, with early adoption permitted. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is currently evaluating the effect this ASU will have on our consolidated statement of cash flows.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. This ASU is effective for fiscal years beginning after December 15, 2019 (fiscal 2021), including interim periods within those fiscal years, with early adoption permitted. The Company does not expect adoption will have a material impact on the Company's results of operations, cash flows or financial position.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This ASU simplifies the employee share-based payment accounting of stock compensation, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term must be applied prospectively. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement must be applied retrospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. This ASU is effective for annual periods after December 15, 2016 (fiscal 2018), and interim periods within those fiscal years, with early adoption permitted. The Company early adopted this guidance in the current period on a prospective basis, and the adoption did not have a material impact on the Company's results of operations, cash flows or financial position.

In March 2016, the FASB issued ASU 2016-04, Liabilities-Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products. This ASU addresses diversity in practice related to the de-recognition of a prepaid store-value product liability. The ASU amends the guidance on extinguishing financial liabilities for certain prepaid store-value products. If an entity selling prepaid store-value products expects to be entitled to an amount that will not be redeemed, the entity will recognize the expected breakage in proportion to the pattern of rights expected to be exercised by the product holder to the extent that it is probable that a significant reversal of the breakage amount will not subsequently occur. The ASU is effective for annual periods beginning after December 15, 2017 (fiscal 2019), and interim periods within those fiscal years, with early adoption permitted, including adoption before the effective date of ASU 2015-14, Revenue from Contracts with Customers (described below). The amendments in this ASU should be applied either using a modified retrospective transition method by means of a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year in which the guidance is effective or retrospectively to each period presented. The Company is currently evaluating the effect the ASU will have on its consolidated financial statements.

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

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

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

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

Note 17. Related Parties

The Company has a long-term pharmaceutical distribution agreement with AmerisourceBergen pursuant to which the Company sources branded and generic pharmaceutical products from AmerisourceBergen principally for its U.S. operations.

Related party transactions (in millions):

	Three Months Ended	
	November 30, 2016	November 30, 2015
Purchases, net	\$ 10,636	\$ 10,323
	November 30, 2016	August 31, 2016
Trade accounts payable, net	\$ 3,627	\$ 3,456

Additionally, AmerisourceBergen receives sourcing services for generic pharmaceutical products.

Note 18. Subsequent Events

On December 20, 2016, the Company and Rite Aid announced that they have entered into an agreement to sell 865 Rite Aid stores and certain assets related to store operations to Fred’s, Inc. (“Fred’s”) for \$950 million in an all-cash transaction. The transaction is subject to Federal Trade Commission (“FTC”) approval, the approval and completion of the pending acquisition of Rite Aid by Walgreens Boots Alliance pursuant to the Merger Agreement, and other customary closing conditions. If the FTC requires divestiture of more than the 865 Rite Aid stores currently contemplated by the purchase agreement and the Company agrees to sell such stores, the purchase agreement requires Fred’s to purchase such additional stores.

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

The following discussion and analysis of our financial condition and results of operations should be read together with the financial statements and the related notes included elsewhere herein and the consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations and other disclosures contained in the Walgreens Boots Alliance, Inc. Annual Report on Form 10-K for the fiscal year ended August 31, 2016. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under "Cautionary Note Regarding Forward-Looking Statements" and in Item 1A "Risk Factors" in our Form 10-K for the fiscal year ended August 31, 2016. References herein to the "Company", "we", "us", or "our" refer to Walgreens Boots Alliance, Inc. and its subsidiaries, except as otherwise indicated or the context otherwise requires.

INTRODUCTION AND SEGMENTS

Walgreens Boots Alliance, Inc. ("Walgreens Boots Alliance") and its subsidiaries are a global pharmacy-led health and wellbeing enterprise. Its operations are conducted through three reportable segments:

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

See Note 15, Segment Reporting for further information.

On October 27, 2015, Walgreens Boots Alliance entered into an Agreement and Plan of Merger with Rite Aid Corporation ("Rite Aid") and Victoria Merger Sub, Inc., a wholly-owned subsidiary of Walgreens Boots Alliance (the "Merger Agreement"), pursuant to which we agreed, subject to the terms and conditions thereof, to acquire Rite Aid, a drugstore chain in the United States with 4,547 stores in 31 states and the District of Columbia as of November 26, 2016. The Company is working toward a close of the acquisition in the early part of this calendar year. The transaction is subject to the expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other customary closing conditions.

On December 20, 2016, Walgreens Boots Alliance and Rite Aid announced that they have entered into an agreement to sell 865 Rite Aid stores and certain assets related to store operations to Fred's, Inc. ("Fred's") for \$950 million in an all-cash transaction. The transaction is subject to Federal Trade Commission ("FTC") approval, the approval and completion of the pending acquisition of Rite Aid by Walgreens Boots Alliance pursuant to the Merger Agreement, and other customary closing conditions. If the FTC requires divestiture of more than the 865 Rite Aid stores currently contemplated by the purchase agreement and Walgreens Boots Alliance agrees to sell such stores, the purchase agreement requires Fred's to purchase such additional stores.

AMERISOURCEBERGEN CORPORATION RELATIONSHIP

As of November 30, 2016 we owned 56,854,867 AmerisourceBergen common shares representing approximately 26% of the outstanding AmerisourceBergen common stock and had designated one member of AmerisourceBergen's board of directors. As of November 30, 2016, we can acquire up to an additional 8,398,752 AmerisourceBergen shares in the open market and thereafter designate another member of AmerisourceBergen's board of directors, subject in each case to applicable legal and contractual requirements. The amount of permitted open market purchases is subject to increase or decrease in certain circumstances.

Effective March 18, 2016, we accounted for our investment in AmerisourceBergen using the equity method of accounting, subject to a two-month reporting lag, with the net earnings attributable to our investment being classified within the operating income of our Pharmaceutical Wholesale segment. See Note 4, Equity Method Investments, to the Consolidated Condensed Financial Statements included herein for further information.

RESTRUCTURING PROGRAMS

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

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As of the date of this report, the Company estimates that the Cost Transformation Program will recognize cumulative pre-tax charges to our financial results in accordance with generally accepted accounting principles in the United States of America (“GAAP”) of between \$1.3 billion and \$1.5 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 estimate that approximately 60% of the cumulative pre-tax charges will result in cash expenditures over time, primarily related to historical and future lease and other real estate payments and employee separation costs. See Note 2, Restructuring, to the Consolidated Condensed Financial Statements for additional information.

The amounts and timing of all estimates are subject to change until finalized. The actual amounts and timing may vary materially based on various factors. See “Cautionary Note Regarding Forward-Looking Statements” below.

EXECUTIVE SUMMARY

The following table presents certain key financial statistics for the three months ended November 30, 2016 and 2015, respectively.

	(in millions, except per share amounts)	
	Three Months Ended November 30,	
	2016	2015
Sales	\$ 28,501	\$ 29,033
Gross Profit	7,116	7,419
Selling, general and administrative expenses	5,686	5,951
Operating Income	1,447	1,468
Adjusted Operating Income (Non-GAAP measure) (1)	1,726	1,719
Earnings Before Interest and Income Tax Provision	1,448	1,411
Net Earnings Attributable to Walgreens Boots Alliance, Inc.	1,054	1,110
Adjusted Net Earnings Attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) (1)	1,201	1,132
Net earnings per common share – diluted	0.97	1.01
Adjusted net earnings per common share – diluted (Non-GAAP measure) (1)	1.10	1.03

	Percentage Increases (Decreases)	
	Three Months Ended November 30,	
	2016	2015 (2)
Sales	(1.8)	48.5
Gross Profit	(4.1)	40.1
Selling, general and administrative expenses	(4.5)	33.6
Operating Income	(1.4)	39.3
Adjusted Operating Income (Non-GAAP measure) (1)	0.4	53.8
Earnings Before Interest and Income Tax Provision	2.6	12.6
Net Earnings Attributable to Walgreens Boots Alliance, Inc.	(5.0)	30.6
Adjusted Net Earnings Attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) (1)	6.1	51.1
Net earnings per common share – diluted	(4.0)	13.5
Adjusted net earnings per common share – diluted (Non-GAAP measure) (1)	6.8	32.1

	Percent to Sales	
	Three Months Ended November 30,	
	2016	2015
Gross Margin	25.0	25.6
Selling, general and administrative expenses	20.0	20.5

(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”).

(2) The completion of the Second Step Transaction on December 31, 2014 means that the results for the three months period ended November 30, 2015 include the results of Alliance Boots on a fully consolidated basis, while the three months period ended November 30, 2014 includes the results of Alliance Boots using the equity method of accounting.

WALGREENS BOOTS ALLIANCE RESULTS OF OPERATIONS

Net earnings attributable to Walgreens Boots Alliance decreased 5.0 percent to \$1.1 billion, while diluted net earnings per share decreased 4.0 percent to \$0.97 compared with the prior year period. The decreases primarily reflect the reduced impact of UK tax rate changes.

Other income (expense) for the three months ended November 30, 2016 was income of \$1 million as compared to an expense of \$57 million in the comparable prior year period, reflecting the decrease in the fair value of the AmerisourceBergen warrants during the year-ago quarter.

Interest was a net expense of \$173 million and \$138 million in the three months ended November 30, 2016 and November 30, 2015, respectively. The increase reflects the interest expense associated with the debt financing for the pending acquisition of Rite Aid.

The effective tax rate for the three months ended November 30, 2016 was 17.3% compared to 13.1% for the three months ended November 30, 2015. The increase in the effective tax rate year-over-year is primarily attributable to a lower estimated annual tax rate being more than offset by reduced net discrete tax benefits. The lower estimated annual tax rate is mostly a result of forecast changes in the geographic mix of our pretax earnings, and increased benefits associated with the US taxation of our non-US operations. During the three months ended November 30, 2015, we recognized discrete tax benefits of \$178 million related to the deferred tax impact of tax rate changes enacted in the United Kingdom. Meanwhile, for the three months ended November 30, 2016, the deferred tax benefit of tax rate changes enacted in the United Kingdom was \$77 million.

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

Adjusted net earnings attributable to Walgreens Boots Alliance in the three months ended November 30, 2016 increased 6.1 percent to \$1.2 billion compared with the prior year period. Adjusted diluted net earnings per share in the current period increased 6.8 percent to \$1.10 compared with the prior year period.

The increase in adjusted net earnings and adjusted diluted net earnings per share for the three months ended November 30, 2016 was primarily attributable to a reduced income tax provision, which resulted mostly from a lower estimated annual tax rate stemming from forecast changes in the geographic mix of our pretax earnings and benefits related to the US taxation of non-US operations.

RESULTS OF OPERATIONS BY SEGMENT***Retail Pharmacy USA***

	(in millions, except location amounts)	
	Three Months Ended November 30,	
	2016	2015
Sales	\$ 20,659	\$ 20,370
Gross Profit	5,439	5,445
Selling, general and administrative expenses	4,334	4,417
Operating Income	1,105	1,028
Adjusted Operating Income (Non-GAAP measure) (1)	1,289	1,243
Number of Prescriptions (2)	187.2	186.0
30-Day Equivalent Prescriptions (2)(3)	237.6	230.7
Number of Locations at period end	8,185	8,192

	Percentage Increases (Decreases)	
	Three Months Ended November 30,	
	2016	2015
Sales	1.4	4.2
Gross Profit	(0.1)	2.8
Selling, general and administrative expenses	(1.9)	(0.9)
Operating Income	7.5	(2.5)
Adjusted Operating Income (Non-GAAP measure) (1)	3.7	11.2
Comparable Store Sales (4)	1.1	5.8
Pharmacy Sales	2.5	6.7
Comparable Pharmacy Sales (4)	2.0	9.3
Retail Sales	(0.9)	(0.9)
Comparable Retail Sales (4)	(0.5)	(0.6)
Comparable Number of Prescriptions (2)(4)	1.0	3.4
Comparable 30-Day Equivalent Prescriptions (2)(3)(4)	3.4	4.7

	Percent to Sales	
	Three Months Ended November 30,	
	2016	2015
Gross Margin	26.3	26.7
Selling, general and administrative expenses	21.0	21.7

- (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) Comparable stores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or subject to 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. The method of calculating comparable sales varies across the industries in which we operate. As a result, our method of calculating comparable sales may not be the same as other companies' methods.

Sales for the Three Months Ended November 30, 2016 and 2015

The Retail Pharmacy USA division's sales for the three months ended November 30, 2016 increased by 1.4% to \$20.7 billion. Sales in comparable stores increased 1.1% compared with the same quarter a year ago.

Pharmacy sales, which accounted for 69.1% of the division's sales in the quarter, increased 2.5% compared with the year-ago quarter. In the comparable prior year period, pharmacy sales were up 6.7% and represented 68.4% of the division's sales. Comparable pharmacy sales increased 2.0% for the three months ended November 30, 2016 compared to an increase of 9.3% in the comparable prior year period. The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced prescription sales by 2.2% in the three months ended November 30, 2016 versus a reduction of 2.5% in the comparable prior year period. On total division sales, this effect was a reduction of 1.3% for the three months ended November 30, 2016 compared to a reduction of 1.5% for the comparable prior year period. The total number of prescriptions (including immunizations) filled for the first three months ended November 30, 2016 were 187.2 million compared to 186.0 million in the comparable prior year period. Prescriptions (including immunizations) adjusted to 30-day equivalents were 237.6 million in the three months ended November 30, 2016 versus 230.7 million in the comparable prior year period.

Retail sales decreased 0.9% for the first three months ended November 30, 2016 and were 30.9% of the division's sales. In comparison, the comparable prior year retail sales decreased 0.9% and comprised 31.6% of the division's sales. Comparable retail sales decreased 0.5% in the three months ended November 30, 2016 compared to a decrease of 0.6% in the comparable prior year period. The decrease in comparable retail sales growth in the current period was due to declines in the consumables and general merchandise category and in the personal care category, partially offset by increases in the health and wellness and beauty categories.

Operating Income for the Three Months Ended November 30, 2016 and 2015

Retail Pharmacy USA division's operating income for the three months ended November 30, 2016 increased 7.5% to \$1.1 billion. The increase is primarily due to higher sales, lower selling, general and administrative costs partially offset by a decrease in gross margin.

Gross profit decreased 0.1% from the year-ago quarter.

Selling, general and administrative expenses as a percentage of sales were 21.0% in the three months ended November 30, 2016 compared to 21.7% in the comparable prior year period. These results demonstrate continuing benefits from the Company's previously announced \$1.5 billion cost transformation program.

Adjusted Operating Income (Non-GAAP measure) for the Three Months Ended November 30, 2016 and 2015

Retail Pharmacy USA division's adjusted operating income for the three months ended November 30, 2016 increased 3.7% to \$1.3 billion. The increase is primarily due to higher sales, lower selling, general and administrative costs partially offset by a decrease in gross margin. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Retail Pharmacy International

This division comprises businesses operating in currencies other than the U.S. dollar, including the British Pound, Euro, Chilean Peso and Mexican Peso, and therefore the division's results are impacted by movements in foreign currency exchange rates. See Item 3 Quantitative and Qualitative Disclosure about Market Risk, Foreign Currency Exchange Rate Risk for further information on currency risk.

	(in millions, except location amounts)	
	Three Months Ended November 30,	
	2016	2015
Sales (4)	\$ 2,962	\$ 3,459
Gross Profit (4)	1,175	1,422
Selling, general and administrative expenses (4)	993	1,120
Operating Income	182	302
Adjusted Operating Income (Non-GAAP measure) (1)	213	315
Number of Locations at period end	4,686	4,595

	Percentage Increases (Decreases)	
	Three Months Ended November 30,	
	2016	2015
Sales (4)	(14.4)	NA
Gross Profit (4)	(17.4)	NA
Selling, general and administrative expenses (4)	(11.3)	NA
Operating Income	(39.7)	NA
Adjusted Operating Income (Non-GAAP measure) (1)	(32.4)	NA
Comparable Store Sales (2)	(14.8)	NA
Comparable Store Sales in constant currency (2)(3)	(0.1)	NA
Pharmacy Sales	(15.8)	NA
Comparable Pharmacy Sales (2)	(14.6)	NA
Comparable Pharmacy Sales in constant currency (2)(3)	(0.5)	NA
Retail Sales	(13.6)	NA
Comparable Retail Sales (2)	(15.0)	NA
Comparable Retail Sales in constant currency (2)(3)	0.2	NA

	Percent to Sales	
	Three Months Ended November 30,	
	2016	2015
Gross Margin	39.7	41.1
Selling, general and administrative expenses	33.5	32.4

NA Not applicable

- (1) See "--Non-GAAP Measures" below for reconciliations to the most directly comparable GAAP measure and related disclosures.
- (2) Comparable stores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or a natural disaster in the past twelve months. Relocated and acquired stores are not included as comparable stores for the first twelve months after the relocation or acquisition. The method of calculating comparable sales varies across the industries in which we operate. As a result, our method of calculating comparable sales may not be the same as other companies' methods.
- (3) The Company presents certain information related to current period operating results in "constant currency," which is a non-GAAP financial measure. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The Company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations. See "--Non-GAAP Measures" below.
- (4) To improve comparability, certain classification changes were made to prior period Sales, Cost of sales and Selling, general and administrative expenses. These changes had no impact on Operating Income. The reclassifications were made in the fourth quarter of fiscal 2016.

Sales for the Three Months Ended November 30, 2016 and 2015

The Retail Pharmacy International division's sales for the quarter ended November 30, 2016 were \$3.0 billion, a 14.4% decrease over the comparable prior year quarter. Sales were negatively impacted by 14.9 percentage points or \$513 million as a result of currency translation. Sales in comparable stores decreased 14.8% from the comparable prior year quarter. Sales in comparable stores in constant currency decreased 0.1% from the comparable prior year quarter.

Pharmacy sales decreased by 15.8% in the three months ended November 30, 2016 and represented 35.7% of the division's sales. Comparable pharmacy sales decreased 14.6% from the comparable prior year quarter, primarily reflecting the adverse impact of currency exchange fluctuation. Comparable pharmacy sales in constant currency were down 0.5% in the three months ended November 30, 2016 compared to the three months ended November 30, 2015. The decrease was primarily in the United Kingdom market which was impacted by reduced government pharmacy funding compared to the same period last year, partially offset by growth in other international markets.

Retail sales decreased 13.6% for the three months ended November 30, 2016 and were 64.3% of the division's sales. Comparable retail sales decreased 15.0% from the comparable prior year quarter, primarily reflecting the negative impact of currency translation. Comparable retail sales in constant currency increased 0.2% for the current quarter compared to the prior period reflecting growth in all countries except Chile and Mexico.

Operating Income for the Three Months Ended November 30, 2016 and 2015

Retail Pharmacy International division's operating income for the three months ended November 30, 2016 decreased to \$182 million, a 39.7% decrease over the comparable prior year quarter. The decrease is primarily due to the negative impact of currency translation, lower gross profit and higher selling, general and administrative expenses.

Gross profit decreased 17.4% from the comparable prior year quarter. Currency translation negatively impacted gross profit by \$208 million, or 14.7 percentage points. The remaining decrease was primarily due to lower margins in the UK.

Selling, general and administrative expenses decreased 11.3% from the comparable prior year quarter. Currency translation positively impacted selling, general and administrative expenses by \$179 million or 15.9 percentage points. This was offset in part by higher depreciation over the comparable quarter last year. As a percentage of sales, selling, general and administrative expenses were 33.5% in the current quarter, compared to 32.4% in the comparable prior year quarter.

Adjusted Operating Income (Non-GAAP measure) for the Three Months Ended November 30, 2016 and 2015

Retail Pharmacy International division's adjusted operating income for the three months ended November 30, 2016 decreased to \$213 million, a 32.4% decrease over the comparable prior year quarter. The decrease is primarily due to the negative impact of currency translation, which contributed 10.8 percentage points to the decrease (\$34 million), lower gross margin and higher selling, general and administrative expenses as a percentage of sales. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Pharmaceutical Wholesale

This division comprises businesses operating in currencies other than the U.S. dollar including the British Pound, Euro, and Turkish Lira, and thus the division's results are impacted by movements in foreign currency exchange rates. See Item 3 Quantitative and Qualitative Disclosure about Market Risk, Foreign Currency Exchange Rate Risk for further information on currency risk.

	(in millions)	
	Three Months Ended November 30,	
	2016	2015
Sales	\$ 5,417	\$ 5,796
Gross Profit	502	557
Selling, general and administrative expenses	359	414
Equity earnings in AmerisourceBergen	17	-
Operating Income	160	143
Adjusted Operating Income (Non-GAAP measure) (1)	224	166

	Percentage Increases (Decreases)	
	Three Months Ended November 30,	
	2016	2015
Sales	(6.5)	NA
Gross Profit	(9.9)	NA
Selling, general and administrative expenses	(13.3)	NA
Operating Income	11.9	NA
Adjusted Operating Income (Non-GAAP measure) (1)	34.9	NA
Comparable Sales (2)	(2.7)	NA
Comparable Sales in constant currency (2)(3)	4.7	NA

	Percent to Sales	
	Three Months Ended November 30,	
	2016	2015
Gross Margin	9.3	9.6
Selling, general and administrative expenses	6.6	7.1

NA Not applicable

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

(2) Comparable sales are defined as sales excluding acquisitions and dispositions.

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

Sales for the Three Months Ended November 30, 2016 and 2015

Pharmaceutical Wholesale sales for the three months to November 30, 2016 were \$5.4 billion, a 6.5% decrease from the comparable prior year quarter. Sales were negatively impacted by 7.1 percentage points or \$413 million as a result of currency translation. Comparable sales, excluding acquisitions and dispositions, decreased 2.7%, and on a constant currency basis increased 4.7%. Comparable sales were positively impacted by growth in the UK and emerging markets offsetting competitive pressures in continental Europe.

Operating Income for the Three Months Ended November 30, 2016 and 2015

Pharmaceutical Wholesale operating income increased 11.9% from the comparable prior year quarter. Operating income increased due to \$17 million of equity earnings in AmerisourceBergen in the current period and lower selling, general and administrative expenses, offset by a negative impact of currency translation and a decrease in gross profit.

Gross profit decreased 9.9% from the comparable prior year quarter. Currency translation negatively impacted gross profit by \$43 million, or 7.7 percentage points. The remaining decrease was primarily due to margin pressures and dispositions, partially offset by higher sales.

Selling, general and administrative expenses decreased 13.3% from the comparable prior year quarter. Currency translation positively impacted selling, general and administrative expenses by \$29 million or 7.0 percentage points. The remaining decrease was primarily related to cost benefits and dispositions. As a percentage of sales, selling, general and administrative expenses were 6.6% in the current quarter, compared to 7.1% in the comparable prior year quarter.

Adjusted Operating Income (Non-GAAP measure) for the Three Months Ended November 30, 2016 and 2015

Pharmaceutical Wholesale division's adjusted operating income for the three months ended November 30, 2016 increased to \$224 million, a 34.9% increase over the comparable prior year quarter. This includes \$58 million contribution from our share of AmerisourceBergen adjusted equity earnings. The remaining increase is primarily due to lower selling, general and administrative expenses, offset by a negative impact of currency translation, which contributed 10.2 percentage points to the variance (a decrease of \$17 million) and a decrease in gross profit. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

NON-GAAP MEASURES

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

These supplemental non-GAAP financial measures are presented because our management has evaluated our financial results both including and excluding the adjusted items or the effects of foreign currency translation, as applicable, and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of our business from period to period and trends in our historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented.

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

	(in millions)				
	Three Months Ended November 30, 2016				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 1,105	\$ 182	\$ 160	\$ -	\$ 1,447
Acquisition-related amortization	37	25	20	-	82
Cost transformation	72	6	3	-	81
LIFO provision	58	-	-	-	58
Adjustments to equity earnings in AmerisourceBergen	-	-	41	-	41
Acquisition-related costs	17	-	-	-	17
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 1,289</u>	<u>\$ 213</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 1,726</u>

	(in millions)				
	Three Months Ended November 30, 2015				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 1,028	\$ 302	\$ 143	\$ (5)	\$ 1,468
Acquisition-related amortization	50	8	23	-	81
Cost transformation	85	5	-	-	90
LIFO provision	46	-	-	-	46
Acquisition-related costs	34	-	-	-	34
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 1,243</u>	<u>\$ 315</u>	<u>\$ 166</u>	<u>\$ (5)</u>	<u>\$ 1,719</u>

	Three Months Ended November 30,	
	2016	2015
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 1,054	\$ 1,110
Adjustments to Operating Income:		
Acquisition-related amortization (1)	82	81
Cost transformation (1)	81	90
LIFO provision (1)	58	46
Adjustments to equity earnings in AmerisourceBergen (1)	41	-
Acquisition-related costs (1)	17	34
Total Adjustments to Operating Income	<u>279</u>	<u>251</u>
Adjustments to Other income (expense):		
Decrease in fair market value of AmerisourceBergen warrants (1)	-	57
Net investment hedging gain (1)	(1)	-
Total Adjustments to Other income (expense)	<u>(1)</u>	<u>57</u>
Adjustments to Interest expense, net:		
Prefunded interest expenses (1)	41	-
Total Adjustments to Interest expense, net	<u>41</u>	<u>-</u>
Adjustments to Income tax provision:		
United Kingdom tax rate change (2)	(77)	(178)
Tax impact of adjustments (3)	(95)	(108)
Total Adjustments to Income tax provision	<u>(172)</u>	<u>(286)</u>
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	<u>\$ 1,201</u>	<u>\$ 1,132</u>
	2016	2015
Diluted net earnings per common share (GAAP)	\$ 0.97	\$ 1.01
Adjustments to Operating Income	0.25	0.23
Adjustments to Other income (expense)	-	0.05
Adjustments to Interest expense, net	0.04	-
Adjustments to Income tax provision	(0.16)	(0.26)
Adjusted diluted net earnings per common share (Non-GAAP measure)	<u>\$ 1.10</u>	<u>\$ 1.03</u>
Weighted average common shares outstanding, diluted (in millions)	1,088.3	1,098.6

(1) Presented on a pre-tax basis. The comparable prior period has been recast accordingly to reflect the tax impact of adjustments as a single adjustment. There has been no change in Net earnings attributable to Walgreens Boots Alliance, Inc., diluted net earnings per share, adjusted net earnings attributable to Walgreens Boots Alliance, Inc. or adjusted net earnings per share from those previously reported.

(2) Discrete tax-only items.

(3) Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$9.6 billion (including \$1.8 billion in non-U.S. jurisdictions) as of November 30, 2016, compared to \$2.6 billion (including \$1.2 billion in non-U.S. jurisdictions) at November 30, 2015. Short-term investment objectives are primarily to minimize risk and maintain liquidity. To attain these objectives, investment limits are placed on the amount, type and issuer of securities. Investments are principally in U.S. Treasury money market funds and AAA-rated money market funds.

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

Cash provided by operations and the issuance of debt are the principal sources of funds for expansion, investments, acquisitions, remodeling programs, dividends to shareholders and stock repurchases. Net cash provided by operating activities for the three months ended November 30, 2016 was \$0.5 billion, compared to \$0.7 billion for the comparable prior year period. The decrease in cash provided by operating activities was primarily a result of lower net earnings and higher working capital.

Net cash provided by investing activities was \$89 million for the three months ended November 30, 2016, compared to \$271 million used in the comparable prior year period. Business acquisitions in the three months ended November 30, 2016 were \$15 million compared to \$72 million for the comparable prior year period. Business acquisitions in the prior year period were primarily the acquisition of an international beauty brand and the purchase of prescription files.

For the three months ended November 30, 2016, additions to property, plant and equipment were \$378 million compared to \$340 million in the prior year period. Capital expenditures by reporting segment were as follows:

	Three Months Ended November 30,	
	2016	2015
Retail Pharmacy USA	\$ 230	\$ 199
Retail Pharmacy International	119	114
Pharmaceutical Wholesale	29	27
Total	<u>\$ 378</u>	<u>\$ 340</u>

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

Additionally, investing activities for the three months ended November 30, 2016 included proceeds related to sale-leaseback transactions of \$436 million, compared to \$54 million in the comparable prior year period which also included the sale of a pharmaceutical wholesale operation for \$43 million.

Net cash used for financing activities for the three months ended November 30, 2016 was \$0.8 billion, compared to net cash used of \$0.9 billion in the comparable prior year period. We repurchased shares to support the needs of the employee stock plans totaling \$457 million in the three months ended November 30, 2016, compared to \$419 million in the three months ended November 30, 2015. Proceeds related to employee stock plans were \$41 million during the three months ended November 30, 2016, compared to \$71 million for the three months ended November 30, 2015. Cash dividends paid were \$406 million during the three months ended November 30, 2016, compared to \$393 million for the same period a year ago. We currently intend to continue to maintain a long-term dividend payout ratio target of approximately 30 to 35 percent of adjusted net earnings attributable to Walgreens Boots Alliance.

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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 as of November 30, 2016 or November 30, 2015. We had no activity under our commercial paper program for the three months ended November 30, 2016 and November 30, 2015.

Pending Rite Aid Transaction

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

On December 18, 2015, Walgreens Boots Alliance entered into a Bridge Term Loan Credit Agreement with the lenders party thereto (as amended, the “Bridge Credit Agreement”) and a Term Loan Credit Agreement with the lenders party thereto (as amended, the “2015 Term Loan Credit Agreement”). The Commitment Letter and the commitments contemplated thereby terminated upon Walgreens Boots Alliance entering into the Bridge Credit Agreement and the 2015 Term Loan Credit Agreement.

The Bridge Credit Agreement is a 364-day unsecured bridge term loan facility and had initial aggregate commitments of \$7.8 billion, which may be increased by Walgreens Boots Alliance prior to the funding of the loans thereunder by up to \$2.0 billion in certain circumstances. As a result of the issuance of the notes and receipt of proceeds therefrom on June 1, 2016 and the entry into the term loan credit agreement on August 30, 2016, in each case, as described below, Walgreens Boots Alliance reduced the commitment under the Bridge Credit Agreement by approximately \$6.0 billion and \$1 billion, respectively, to approximately \$0.8 billion. Walgreens Boots Alliance can extend up to \$3.0 billion of the loans under the Bridge Credit Agreement for an additional 90-day period if desired. The 2015 Term Loan Credit Agreement is a \$5.0 billion unsecured term loan facility comprising two tranches with maturities three and five years following the funding date, or, if earlier, three and five years after October 27, 2016.

On June 1, 2016, Walgreens Boots Alliance issued in an underwritten public offering \$1.2 billion of 1.750% notes due 2018 (the “2018 notes”), \$1.5 billion of 2.600% notes due 2021 (the “2021 notes”), \$0.8 billion of 3.100% notes due 2023 (the “2023 notes”), \$1.9 billion of 3.450% notes due 2026 (the “2026 notes”) and \$0.6 billion of 4.650% notes due 2046 (the “2046 notes”). These notes are subject to redemption in certain circumstances. Walgreens Boots Alliance intends to use the net proceeds from the sale of the notes to fund a portion of the cash consideration payable in connection with the merger contemplated by the Merger Agreement, to retire a portion of Rite Aid’s existing debt and to pay related fees and expenses. Any remaining net proceeds from the sale of the notes may also be used for general corporate purposes. In the event that such merger is not consummated on or prior to June 1, 2017 (the first anniversary of the issuance date of the notes) or if the Merger Agreement is terminated at any time on or prior to June 1, 2017, then Walgreens Boots Alliance will be required to redeem in full the 2018 notes, the 2021 notes and the 2023 notes (but not the 2026 notes or 2046 notes, which will remain outstanding in accordance with their respective terms) on the date described in the applicable note at a redemption price equal to 101% of the aggregate principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the date of redemption. In addition, pursuant to the Merger Agreement, if the Merger Agreement is terminated by us or Rite Aid (i) due to the entry of a final order enjoining or prohibiting the merger by any antitrust authority, or (ii) following January 27, 2017 because required antitrust approvals have not been obtained or an antitrust authority has issued an injunction or order preventing the merger, we could be required to pay Rite Aid a termination fee of up to \$650 million in certain circumstances.

On August 30, 2016, Walgreens Boots Alliance entered into a \$1.0 billion senior unsecured term loan facility with the lender party thereto (the “2016 Term Loan Credit Agreement”, and together with the Bridge Term Loan Credit Agreement and the 2015 Term Loan Credit Agreement, the “Credit Agreements”) comprising two tranches with maturities on March 30, 2017 and one year after the funding date, respectively.

Walgreens Boots Alliance will be the borrower under each of the Credit Agreements. The obligations of the lenders party to each of the Credit Agreements become effective upon the date of closing of the transactions contemplated by the Merger Agreement. The ability of Walgreens Boots Alliance to request the funding of loans under each Credit Agreement is subject to the satisfaction (or waiver) of certain conditions set forth therein and will terminate upon the occurrence of certain events set forth therein. Commitments to provide loans under the Credit Agreements will expire on January 27, 2017 unless mutually extended by the parties. Borrowings under each 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 Eurocurrency rate, in each case, plus an applicable margin calculated based on Walgreens Boots Alliance’s credit ratings. Upfront fees paid to date in connection with the Credit Agreements totaled \$30 million. In addition, Walgreens Boots Alliance will pay to the lenders under each Credit Agreement certain customary fees, including a ticking fee based on the aggregate outstanding commitments of the lenders under the applicable Credit Agreement starting at 90 days after signing. Each of the Credit Agreements contains a covenant to maintain, as of the last day of each fiscal quarter, a ratio of consolidated debt to total capitalization not to exceed 0.60:1.00, as well as other customary restrictive covenants, which restrictive covenants shall not be in effect until the funding of the loans under the applicable Credit Agreement. As of November 30, 2016, there were no borrowings under the Credit Agreements.

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As of January 4, 2017, the credit ratings of Walgreens Boots Alliance were:

Rating Agency	Long-Term Debt Rating	Commercial Paper Rating	Outlook
Fitch	BBB	F2	Stable
Moody's	Baa2	P-2	On review for downgrade
Standard & Poor's	BBB	A-2	Negative

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

Pursuant to our arrangements with AmerisourceBergen, we have the right, but not the obligation, to increase our minority equity position in AmerisourceBergen over time, as described under "--AmerisourceBergen Corporation Relationship" above. As of November 30, 2016, the Company owned 56,854,867 AmerisourceBergen common shares representing approximately 26% of the outstanding AmerisourceBergen common stock. This includes a total of approximately 11.5 million shares of AmerisourceBergen that we purchased in the open market. Share purchases may be made from time to time in open market transactions or pursuant to instruments and plans complying with Rule 10b5-1. Our ability to invest in equity in AmerisourceBergen above certain thresholds is subject to the receipt of regulatory approvals.

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, acquisitions, dividend payments and debt service obligations for at least the next 12 months. Our cash requirements are subject to change as business conditions warrant and opportunities arise. The timing and size of any new business ventures or acquisitions that we may complete may also impact our cash requirements.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

As of November 30, 2016, we have issued \$362 million in letters of credit, primarily related to insurance obligations. We also had \$54 million of guarantees to various suppliers outstanding as of November 30, 2016. We remain secondarily liable on 72 leases. The maximum potential undiscounted future payments related to these leases was \$334 million as of November 30, 2016.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Other than our obligations under the Merger Agreement and the transactions contemplated thereby, there have been no material changes, outside of the ordinary course of business, in our outstanding contractual obligations disclosed in the Walgreens Boots Alliance Annual Report on Form 10-K for the year ended August 31, 2016.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with GAAP and include amounts based on management's prudent judgments and estimates. Actual results may differ from these estimates. Management believes that any reasonable deviation from those judgments and estimates would not have a material impact on our consolidated financial position or results of operations. To the extent that the estimates used differ from actual results, however, adjustments to the statement of earnings and corresponding balance sheet accounts would be necessary. These adjustments would be made in future periods. For a discussion of our significant accounting policies, please see the Walgreens Boots Alliance Annual Report on Form 10-K for the fiscal year ended August 31, 2016. Some of the more significant estimates include business combinations, goodwill and indefinite-lived intangible asset impairment, vendor allowances, liability for closed locations, cost of sales and inventory, equity method investments, pension and postretirement benefits and income taxes. There have been no significant changes in those accounting policies.

RECENT ACCOUNTING PRONOUNCEMENTS

A discussion of recent accounting pronouncements is described in Note 16, Recent Accounting Pronouncements in Item 1. Consolidated Condensed Financial Statements (Unaudited) of this Current Report on Form 10-Q and is incorporated herein by reference.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and other documents that we file or furnish with the SEC contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, on the Company's website or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls, conference calls and other communications. Some of such forward-looking statements may be based on certain data and forecasts relating to our business and industry that we have obtained from internal surveys, market research, publicly available information and industry publications. Industry publications, surveys and market research generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Statements that are not historical facts are forward-looking statements, including, without limitation, those regarding estimates of and goals for future financial and operating performance as well as forward-looking statements concerning the expected execution and effect of our business strategies, our cost-savings and growth initiatives and restructuring activities and the amounts and timing of their expected impact, our pending Merger Agreement with Rite Aid and the transactions contemplated thereby (including the pending divestiture transaction to sell certain Rite Aid stores and assets to Fred's, Inc.) and their possible effects, our commercial agreement with AmerisourceBergen, the arrangements and transactions contemplated by our framework agreement with AmerisourceBergen and their possible effects, estimates of the impact of developments on our earnings, earnings per share and other financial and operating metrics, cough, cold and flu season, prescription volume, pharmacy sales trends, prescription margins, changes in generic prescription drug prices, retail margins, number and location of new store openings, network participation, vendor, payer and customer relationships and terms, possible new contracts or contract extensions, the proposed withdrawal of the United Kingdom from the European Union and its possible effects, competition, economic and business conditions, outcomes of litigation and regulatory matters, the level of capital expenditures, industry trends, demographic trends, growth strategies, financial results, cost reduction initiatives, impairment or other charges, acquisition and joint venture synergies, competitive strengths and changes in legislation or regulations. Words such as "expect," "likely," "outlook," "forecast," "preliminary," "would," "could," "should," "can," "will," "project," "intend," "plan," "goal," "guidance," "target," "aim," "continue," "sustain," "synergy," "on track," "on schedule," "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, known or unknown, that could cause actual results to vary materially from those indicated or anticipated, including, but not limited to, those relating to the impact of private and public third-party payers' efforts to reduce prescription drug reimbursements, fluctuations in foreign currency exchange rates, the timing and magnitude of the impact of branded to generic drug conversions and changes in generic drug prices, our ability to realize synergies and achieve financial, tax and operating results in the amounts and at the times anticipated, supply arrangements including our commercial agreement with AmerisourceBergen, the arrangements and transactions contemplated by our framework agreement with AmerisourceBergen and their possible effects, our equity method investment in AmerisourceBergen, the occurrence of any event, change or other circumstance that could give rise to the termination, cross-termination or modification of any of our contractual obligations, the amount of costs, fees, expenses and charges incurred in connection with strategic transactions, whether the costs associated with restructuring activities will exceed estimates, our ability to realize expected savings and benefits from cost-savings initiatives, restructuring activities and acquisitions in the amounts and at the times anticipated, the timing and amount of any impairment or other charges, the timing and severity of cough, cold and flu season, changes in management's assumptions, the risks associated with governance and control matters, the ability to retain key personnel, changes in economic and business conditions generally or in particular markets in which we participate, changes in financial markets and interest rates, the risks associated with international business operations, including the risks associated with the proposed withdrawal of the United Kingdom from the European Union, 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 matters (including the pending divestiture transaction to sell certain Rite Aid stores and assets to Fred's, Inc.) on a timely basis or at all, the risks associated with the integration of complex businesses, outcomes of legal and regulatory matters, including with respect to regulatory review and actions in connection with the pending acquisition of Rite Aid and related matters, and changes in legislation, regulations or interpretations thereof. These and other risks, assumptions and uncertainties are described in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended August 31, 2016 and in other documents that we file or furnish with the SEC. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we do not undertake, and expressly disclaim, any duty or obligation to update publicly any forward-looking statement after the date the statement is made, whether as a result of new information, future events, changes in assumptions or otherwise.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

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

We also use interest rate caps to protect from rising interest rates on existing floating-rate debt. Information regarding our interest rate swaps, forward starting interest rate swaps, and interest rate caps transactions are set forth in Note 7, Financial Instruments to our unaudited Consolidated Condensed Financial Statements. These financial instruments are sensitive to changes in interest rates. On November 30, 2016, we had approximately \$1.8 billion in long-term debt obligations that had floating interest rates. A one percentage point increase or decrease in interest rates for the various debt held by us would increase or decrease the annual interest expense we recognize and the cash we pay for interest expense by approximately \$18 million. The amounts exclude the impact of any associated interest rate swaps, forward starting interest rate swaps and interest rate caps.

Foreign Currency Exchange Rate Risk

We are exposed to fluctuations in foreign currency exchange rates, primarily with respect to the British Pound Sterling and Euro, and certain other foreign currencies, including the Mexican Peso, Chilean Peso, Norwegian Krone and Turkish Lira which may affect our net investment in foreign subsidiaries and may cause fluctuations in cash flows related to foreign denominated transactions. We are also exposed to the translation of foreign currency earnings to the U.S. dollar. We enter into foreign currency forward contracts to hedge against the effect of exchange rate fluctuations on non-functional currency cash flows of certain entities denominated in foreign currencies. These transactions are almost exclusively less than 12 months in maturity. In addition, we enter into foreign currency forward contracts that are not designated in hedging relationships to offset, in part, the impacts of certain intercompany activities (primarily associated with intercompany financing transactions). As circumstances warrant, we also use basis swaps as hedging instruments to hedge portions of our net investments in foreign operations. The foreign currency derivative instruments are sensitive to changes in exchange rates. A 1% increase or decrease in exchange rates would increase or decrease our pre-tax income by approximately \$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.

Item 4. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

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

Changes in Internal Control over Financial Reporting

In connection with the evaluation pursuant to Exchange Act Rule 13a-15(d) of the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) by the Company's management, including its CEO and CFO, no changes during the three months ended November 30, 2016 were identified that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

The information in response to this item is incorporated herein by reference to Note 9, Commitments and Contingencies of the Consolidated Condensed Financial Statements of this Quarterly Report.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A. "Risk Factors" in the Walgreens Boots Alliance Annual Report on Form 10-K for the year ended August 31, 2016, which could materially affect our business, financial condition or future results.

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

(c) The following table provides information about purchases by the Company during the quarter ended November 30, 2016 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act. Subject to applicable law, share purchases may be made in open market transactions, privately negotiated transactions, or pursuant to instruments and plans complying with Rule 10b5-1.

Period	Issuer Purchases of Equity Securities		
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Programs
9/1/16 - 9/30/16	-	\$ -	-
10/1/16 - 10/31/16	991,526	82.71	-
11/1/16 - 11/30/16	4,608,474	81.37	-
Total	5,600,000	\$ 81.61	-

Item 6. Exhibits

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

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

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

<u>Exhibit No.</u>	<u>Description</u>	<u>SEC Document Reference</u>
3.1	Amended and Restated Certificate of Incorporation of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 3.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K12B (File No. 001-36759) filed with the SEC on December 31, 2014.
3.2	Amended and Restated Bylaws of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 3.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 001-36759) filed with the SEC on June 10, 2016.
10.1*	Form of Performance Share Award agreement for CEO (November 2016).	Filed herewith.
10.2*	Form of Stock Option Award agreement for CEO (November 2016).	Filed herewith.
10.3*	Form of Restricted Stock Unit Award agreement for Executive Chairman (November 2016).	Filed herewith.
10.4*	Letter agreement dated September 23, 2016 between Simon Roberts and Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 10.66 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2016 (File No. 1-36759) filed with the SEC on October 20, 2016.
12	Computation of Ratio of Earnings to Fixed Charges.	Filed herewith.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
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.

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

* Management contract or compensatory plan or arrangement.

SIGNATURES

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

Walgreens Boots Alliance, Inc.
(Registrant)

Dated : January 5, 2017

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

Dated : January 5, 2017

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

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

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

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

Participant Name: Stefano Pessina

Grant Date: November 1, 2016 (the "Grant Date")

Performance Period: **Fiscal Years – 2017 - 2019** (the "Performance Period")

Shares Granted: 86,238

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

You and the Company agree as follows:

1. Grant of Performance Shares. Pursuant to the approval and direction of the Compensation Committee of the Company's Board of Directors (the "Committee"), the Company hereby grants you the target number of Performance Shares specified above (the "Performance Shares"), subject to the terms and conditions of the Plan and this Agreement. This "target" number of shares is computed by dividing a target award dollar amount approved for you by the Committee by the average closing stock price of the Company's common stock, par value US\$.01 per share ("Stock") for the last 30 trading days of the fiscal year preceding the Grant Date.
2. Performance Measure. The number of Performance Shares earned at the end of the three-year Performance Period will vary depending on the degree to which cumulative adjusted earnings per share performance goals for the Performance Period, as established by the Committee, are met.
3. Determination of Performance Shares Earned. At the target levels, 100% of the Performance Shares will be earned. At the threshold levels, 50% of the Performance Shares will be earned. Below the threshold levels of performance, no Performance Shares are earned. At the maximum levels or more, 150% of the Performance Shares will be earned. Performance between minimum and target, and between target and maximum, will earn Performance Shares on a pro-rated basis between 50% and 100%, and 100% and 150%, respectively.

The amount earned will be calculated according to the following:

Performance	=	Target	X	Percent of Target
Shares Awarded		Performance Shares		Performance Shares Earned

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

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

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

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

- (a) your commission of a felony or any crime of moral turpitude;
 - (b) your dishonesty or material violation of standards of integrity in the course of fulfilling your duties to the Company or any Affiliate;
 - (c) your material violation of a material written policy of the Company or any Affiliate violation of which is grounds for immediate termination;
-

(d) your willful and deliberate failure to perform your duties to the Company or any Affiliate in any material respect, after reasonable notice of such failure and an opportunity to correct it; or

(e) your failure to comply in any material respect with the United States ("U.S.") Foreign Corrupt Practices Act, the U.S. Securities Act of 1933, the U.S. Securities Exchange Act of 1934, the U.S. Sarbanes-Oxley Act of 2002, the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and the U.S. Truth in Negotiations Act, or any rules or regulations thereunder.

8. Settlement of Earned Performance Shares. At the end of the Performance Period actual performance for the entire Performance Period shall be reviewed, and the amount of the earned Award shall be determined based on this performance and communicated to you. Subject to the requirements of Section 12 below, the Company shall transfer to you one (1) share of Stock for each Performance Share earned at that time, net of any applicable tax withholding requirements in accordance with Section 9 below. The Performance Shares payable under this Agreement are intended to be exempt from Code Section 409A under the exemption for short-term deferrals. Accordingly, the Performance Shares will be settled in shares of 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 shares of 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 shares of Stock are 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 shares of 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 of Stock 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 of Stock 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 by 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 the Performance Shares subject to this Award Agreement shall be equitably adjusted by the Committee.

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

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

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

(c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company, including, but not limited to, the form and timing of the Award, the number of shares of Stock 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, email address and telephone number, date of birth, social security, passport 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"). 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 Data for the exclusive purpose of implementing, administering and managing your participation in the Plan. 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 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 Data, (iii) request the integration, update, amendment, deletion or blockage (for breach of applicable laws) of Data, (iv) oppose, for legal reasons, the collection, processing or transfer of 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 this 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, the Performance Shares shall be settled only in Shares (and not in cash).
2. IMPORTANT NOTICE. WARNING: The contents of the Agreement, this 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 the 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.
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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 the 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. Repatriation Requirements. You agree to promptly repatriate the proceeds resulting from the sale of shares of Stock acquired under the Plan to a foreign currency account at an authorized bank in Russia if legally required at the time shares of Stock are sold and to comply with all applicable local foreign exchange rules and regulations. Neither the Company nor any of its Affiliates shall be liable for any fines or penalties resulting from your failure to comply with applicable laws.

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 the 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), you 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 the Performance Shares, you shall be deemed irrevocably to have waived any such entitlement.

*** **

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

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

STOCK OPTION AWARD AGREEMENT

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

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

STOCK OPTION AWARD AGREEMENT

Participant Name: Stefano Pessina

Grant Date: November 1, 2016 (the "Grant Date")

Grant Price: \$82.46

Shares Granted: 410,798 (the "Shares Granted")

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

Expiration Date: November 1, 2026 (the "Expiration Date")

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. The 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 of Stock, or the remaining unexercised shares, if less. The 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 the 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 the Option for the full number of Shares Granted (less any shares for which the Option was previously exercised), but (b) your right to exercise the 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 the 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 the Option was previously exercised), but (b), such person's right to exercise the Option shall terminate upon the earlier of the Expiration Date or a date which is one (1) year after the date of your death.

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

6. Termination of Service Following a Change in Control. If there is a Change in Control of the Company and within the one-year period thereafter you have a Termination of Service initiated by your Employer other than for Cause (as defined in Section 8), then any Shares Granted under the Option that are not yet vested at that time shall thereupon become vested and (a) you may exercise the Option for the full number of Shares Granted (less any shares for which the Option was previously exercised), but (b) your right to exercise the 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 the 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 the 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, the 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 the 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 the Option, including any extension granted by the Committee or its delegate as needed to allow your right to exercise to extend beyond a period during which you are restricted from exercising the Option due to a Company-designated trading blackout period, and is subject to earlier expiration as provided in Section 8 below.

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

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

9. Exercise Process. The 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 of Stock 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 the Option:

- (a) Payment for shares of Stock as to which the 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 of Stock 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 of Stock on your behalf to enable you to repay the loan and any fees. The remaining shares of Stock and/or cash are then delivered by the third party to you.
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(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 this 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 the 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, the Option and all rights granted hereunder shall be exercisable only by you. Notwithstanding the foregoing, you may transfer the 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 the 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 of Stock 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 by 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 the 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 in duration, and it may be modified, amended, suspended or terminated by the Company, in its sole discretion, at any time;

(b) the grant of the 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 the 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, email address and telephone number, date of birth, social security, passport 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"). 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 Data for the exclusive purpose of implementing, administering and managing your participation in the Plan. 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 Data, (ii) verify the content, origin and accuracy of Data, (iii) request the integration, update, amendment, deletion or blockage (for breach of applicable laws) of 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, the 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 the 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 this 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 Trade Secrets or other 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 otherwise confidential, as further defined below.

- a. "Trade Secrets" are a form of intellectual property and may include all tangible and intangible forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs or codes, and may in particular include such things as pricing information, business records, software programs, algorithms, inventions, patent applications, and designs and processes not known outside the Company. Trade Secrets may be stored, compiled, memorialized or contained in various forms or media, such as paper, electronic media or transmission (such as disc, email, file transfers, tape, or web site features), all other forms of audio and/or video transfer, or even oral communications.
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- b. "Confidential Information" shall include Trade Secrets and, more broadly, any information or material which is not generally known to the public, and which (i) 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 (ii) 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. Confidential Information may take a variety of forms including but not limited to paper, electronic, media or transmission (such as email, file transfers, tape or web site features), and all other forms of audio and/or video transfer. Examples of confidential information include, but are not limited to, customer, referral source, supplier and contractor identification and contacts, confidential information about customers, business relationships, contract terms, pricing and margins, business, marketing and customer plans and strategies, financial data, techniques, formulations, technical know-how, formulae, research, development and production information, processes, designs, architectures, prototypes, models, software, patent applications and plans, projections, proposals, discussion guides, personal or performance information about employees, 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 federal Defend Trade Secrets Act of 2016 (the "TSA") and any applicable state statutes. Further, nothing herein shall prohibit me from divulging evidence of criminal wrongdoing to law enforcement or prohibit me from disclosing Confidential Information or Trade Secrets if compelled by order of court or an 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. Pursuant to the TSA, I understand that an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, I understand that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with the TSA or create liability for disclosures of Trade Secrets that are expressly allowed by TSA.

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 area to any position held by me during the last two years of my employment with 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, vendor, supplier 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 with whom I currently work or with whom I worked at any point during the last two years preceding the termination of my employment with the Company, and 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 employee of his/her duties for the Company; or (iii) communicate with any such employee 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 his/her 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, that (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 his/her 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 his/her 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. Employee has disclosed to the Company any continuing obligations to any third party with respect to Intellectual Property. Employee claims no rights to any inventions created prior to his/her employment for which a patent application has not previously been filed, unless he/she has described them in detail on a schedule attached to this Agreement.
- e. Trade Secret Provisions. The provisions in Paragraph 1 with regard to Trade Secrets and the TSA shall apply as well in the context of the parties' Intellectual Property rights and obligations.

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 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.

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 and my connections thereto, (i) this Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, where this Agreement is entered into, without giving effect to any conflict of law provisions, and (ii) I consent to personal jurisdiction and the exclusive jurisdiction of the state and federal courts of Illinois with respect to any claim, dispute or declaration arising out of this Agreement.
 - (c) 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.
 - (d) 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.
 - (e) 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.
 - (f) 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.
 - (g) 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.
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- (h) I agree that the Company may assign this Agreement to its successors and assigns and that any such successor or assign may stand in the Company's shoes for purposes of enforcing this Agreement.
- (i) I agree to reimburse the 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.
- (j) 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.
- (k) 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. I agree that my obligations in this Agreement shall survive the termination of my employment from the Company for any reason and shall be binding upon my successors, heirs, executors and representatives.

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. The obligations herein are in addition to and do not limit any obligations arising under applicable statutes and common law.

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 attempting to or later employing me of the existence and provisions of this Agreement.

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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.
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- 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. Repatriation Requirements. You agree to promptly repatriate proceeds resulting from the sale of shares of Stock acquired under the Plan to a foreign currency account at an authorized bank in Russia if legally required at the time shares of Stock are sold and to comply with all applicable local foreign exchange rules and regulations. Neither the Company nor any of its Affiliates shall be liable for any fines or penalties resulting from your failure to comply with applicable laws.

SPAIN

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

In accepting the Option, 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 an 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 the 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), you will not be eligible for a loan to cover the income tax liability. In the event that you are a director or executive officer and the income tax is not collected from or paid by you by the Due Date, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions ("NICs") will be payable. You will be responsible for paying and reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime, and for reimbursing the Company or your Employer (as applicable) the value of any employee NICs due on this additional benefit.

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

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

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

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

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

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

Participant Name: James A Skinner

Grant Date: November 1, 2016 (the "Grant Date")

Units Granted: 86,238

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

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

You and the Company agree as follows:

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

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

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

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

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

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

3. Restricted Period. The period prior to the vesting date with respect each Restricted Stock Unit is referred to as the “Restricted Period.” Subject to the provisions of the Plan and this Agreement, unless vested or forfeited earlier as described in Section 4, 5, 6 or 7 of this Agreement, as applicable, your Restricted Stock Units will become vested and be settled as described in Section 8 below, as of the vesting date or dates indicated in the introduction to this Agreement, provided the performance goal in this Section 3 (“Performance Goal”) is satisfied as of the end of the applicable performance period. The Performance Goal will be established and certified by the Committee and cover one or more Company performance goals over the course of the Company’s 2017 fiscal year. If the Performance Goal is not attained as of the end of this performance period, the Restricted Stock Units awarded hereunder shall be thereupon forfeited..

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Responsibility for Taxes; Tax Withholding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) you are voluntarily participating in the Plan;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXHIBIT A

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

This Exhibit forms a part of the Restricted Stock Unit 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 Restricted Stock Unit 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 Trade Secrets or other 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 otherwise confidential, as further defined below.

- a. “Trade Secrets” are a form of intellectual property and may include all tangible and intangible forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs or codes, and may in particular include such things as pricing information, business records, software programs, algorithms, inventions, patent applications, and designs and processes not known outside the Company. Trade Secrets may be stored, compiled, memorialized or contained in various forms or media, such as paper, electronic media or transmission (such as disc, email, file transfers, tape, or web site features), all other forms of audio and/or video transfer, or even oral communications.

- b. “Confidential Information” shall include Trade Secrets and, more broadly, any information or material which is not generally known to the public, and which (i) 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 (ii) 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. Confidential Information may take a variety of forms including but not limited to paper, electronic, media or transmission (such as email, file transfers, tape or web site features), and all other forms of audio and/or video transfer. Examples of confidential information include, but are not limited to, customer, referral source, supplier and contractor identification and contacts, confidential information about customers, business relationships, contract terms, pricing and margins, business, marketing and customer plans and strategies, financial data, techniques, formulations, technical know-how, formulae, research, development and production information, processes, designs, architectures, prototypes, models, software, patent applications and plans, projections, proposals, discussion guides, personal or performance information about employees, 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 federal Defend Trade Secrets Act of 2016 (the “TSA”) and any applicable state statutes. Further, nothing herein shall prohibit me from divulging evidence of criminal wrongdoing to law enforcement or prohibit me from disclosing Confidential Information or Trade Secrets if compelled by order of court or an 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. Pursuant to the TSA, I understand that an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, I understand that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with the TSA or create liability for disclosures of Trade Secrets that are expressly allowed by TSA.

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 area to any position held by me during the last two years of my employment with 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, vendor, supplier 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 with whom I currently work or with whom I worked at any point during the last two years preceding the termination of my employment with the Company, and 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 employee of his/her duties for the Company; or (iii) communicate with any such employee 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 his/her 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, that (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 his/her 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 his/her 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. Employee has disclosed to the Company any continuing obligations to any third party with respect to Intellectual Property. Employee claims no rights to any inventions created prior to his/her employment for which a patent application has not previously been filed, unless he/she has described them in detail on a schedule attached to this Agreement.
- e. Trade Secret Provisions. The provisions in Paragraph 1 with regard to Trade Secrets and the TSA shall apply as well in the context of the parties' Intellectual Property rights and obligations.

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 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.

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 and my connections thereto, (i) this Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, where this Agreement is entered into, without giving effect to any conflict of law provisions, and (ii) I consent to personal jurisdiction and the exclusive jurisdiction of the state and federal courts of Illinois with respect to any claim, dispute or declaration arising out of this Agreement.
- (c) 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.
- (d) 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.
- (e) 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.

- (f) 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.
- (g) 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.
- (h) I agree that the Company may assign this Agreement to its successors and assigns and that any such successor or assign may stand in the Company's shoes for purposes of enforcing this Agreement.
- (i) I agree to reimburse the 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.
- (j) 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.
- (k) 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. I agree that my obligations in this Agreement shall survive the termination of my employment from the Company for any reason and shall be binding upon my successors, heirs, executors and representatives.

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. The obligations herein are in addition to and do not limit any obligations arising under applicable statutes and common law.

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 attempting to or later employing me of the existence and provisions of this Agreement.

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

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

EXHIBIT B

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

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

FRANCE

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

MEXICO

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

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

MONACO

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

NETHERLANDS

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

SPAIN

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

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

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

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

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

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

UNITED KINGDOM

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

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

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

*** **

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

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

	Three Months Ended,			Twelve Months Ended,		
	November, 2016	2016	2015	2014	2013	2012
Income before income tax provision	\$ 1,275	\$ 5,144	\$ 5,311	\$ 3,557	\$ 4,047	\$ 3,376
Add:						
Minority Interests	-	-	-	-	5	-
Fixed charges	586	2,367	2,054	1,376	1,383	1,260
Amortization of capitalized interest	-	-	1	6	7	6
Less:						
Equity earnings	(5)	(37)	(315)	(617)	(496)	-
Capitalized interest	-	-	(1)	(6)	(7)	(9)
Earnings as defined	<u>\$ 1,856</u>	<u>\$ 7,474</u>	<u>\$ 7,050</u>	<u>\$ 4,316</u>	<u>\$ 4,939</u>	<u>\$ 4,633</u>
Interest expense, net of capitalized interest	\$ 173	\$ 628	\$ 632	\$ 168	\$ 193	\$ 94
Capitalized interest	-	-	1	6	7	9
Portions of rentals representative of the interest factor	413	1,739	1,421	1,202	1,183	1,157
Fixed charges as defined	<u>\$ 586</u>	<u>\$ 2,367</u>	<u>\$ 2,054</u>	<u>\$ 1,376</u>	<u>\$ 1,383</u>	<u>\$ 1,260</u>
Ratio of earnings to fixed charges	3.17	3.16	3.43	3.14	3.57	3.68

(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.

CERTIFICATION

I, Stefano Pessina, certify that:

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

/s/

Stefano Pessina
Stefano Pessina

Chief Executive Officer

Date: January 5, 2017

CERTIFICATION

I, George Fairweather, certify that:

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

/s/

George Fairweather
George Fairweather

Global Chief Financial Officer

Date: January 5, 2017

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

In connection with the Quarterly Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended November 30, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, Stefano Pessina, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stefano Pessina

Stefano Pessina

Chief Executive Officer

Dated: January 5, 2017

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

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

In connection with the Quarterly Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended November 30, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, George Fairweather, Global Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ George Fairweather

George Fairweather

Global Chief Financial Officer

Dated: January 5, 2017

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.
