

The Walgreen Year...A Review by Quarters

(Unaudited)

Summary of Quarterly Results (Unaudited) (Dollars in Millions, except per share data)		Quarter Ended				Fiscal Year
		November 30	February 28	May 31	August 31	
Fiscal 2003	Net sales	\$7,484.9	\$8,446.1	\$8,328.0	\$8,246.4	\$32,505.4
	Gross profit	1,995.7	2,348.1	2,230.0	2,225.4	8,799.2
	Net earnings	231.6	370.9	296.1	277.1	1,175.7
	Per Common Share – Basic	\$.23	\$.36	\$.29	\$.27	\$ 1.15
	Diluted	.22	.36	.29	.27	1.14
Fiscal 2002	Net sales	\$6,559.4	\$7,488.5	\$7,397.9	\$7,235.3	\$28,681.1
	Gross profit	1,697.9	2,033.9	1,937.2	1,936.0	7,605.0
	Net earnings	185.9	326.6	259.0	247.7	1,019.2
	Per Common Share – Basic	\$.18	\$.32	\$.25	\$.25	\$ 1.00
	Diluted	.18	.32	.25	.24	.99

Comments on Quarterly Results: In further explanation of and supplemental to the quarterly results, the 2003 fourth quarter LIFO adjustment was a credit of \$19.5 million compared to a 2002 credit of \$9.9 million. If the 2003 interim results were adjusted to reflect the actual inventory inflation rates and inventory levels as computed at August 31, 2003, earnings per share would have increased in the first and second quarters by \$.01 per quarter and decreased in the fourth quarter by \$.02. Similar adjustments in 2002 would have increased earnings per share in the first quarter by \$.01 and decreased earnings per share in the fourth quarter by \$.01.

The quarter ended August 31, 2003, includes pre-tax income of \$.6 million (less than \$.001 per share) from the payment of an antitrust lawsuit. The quarter ended August 31, 2002, includes pre-tax income of \$.7 million (less than \$.001 per share) from the final payment of the company's portion of the litigation settlement.

Common Stock Prices Below is the New York Stock Exchange high and low sales price for each quarter of fiscal 2003 and 2002.		Quarter Ended				Fiscal Year
		November 30	February 28	May 31	August 31	
Fiscal 2003	High	\$36.20	\$32.99	\$33.66	\$33.28	\$36.20
	Low	28.05	26.90	27.33	28.80	26.90
Fiscal 2002	High	\$36.00	\$40.70	\$40.29	\$39.49	\$40.70
	Low	28.70	30.72	36.10	30.20	28.70

Drugstore and Sales Overview

Fiscal Year	2003	2002	2001	2000	1999
Drugstores					
Openings					
New Stores	430	471	473	461	386
Acquisitions	—	—	1	1	—
Closings	86	108	119	118	114
Year-end: Units (1)	4,227	3,883	3,520	3,165	2,821
Year-end: Sales Area (2)	46,734	42,672	38,226	33,684	29,230
Product Class Sales					
Prescription Drugs	62%	60%	58%	55%	52%
Nonprescription Drugs (3)	12%	11%	12%	11%	12%
General Merchandise (3)	26%	29%	30%	34%	36%

(1) Includes 33 pharmacy-only units and three mail service facilities at August 31, 2003.

(2) In thousands of square feet.

(3) Estimates based, in part, on store scanning information.

Reports of Independent Public Accountants

To the Board of Directors and Shareholders of Walgreen Co.:

We have audited the accompanying consolidated balance sheets of Walgreen Co. and subsidiaries (the "Company") as of August 31, 2003 and 2002, and the related consolidated statements of earnings, shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of the Company for the year ended August 31, 2001 were audited by other auditors who have ceased operations. Those auditors expressed in their report dated September 28, 2001 an unqualified opinion on those statements.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Walgreen Co. and subsidiaries as of August 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chicago, Illinois
October 6, 2003

To the Board of Directors and Shareholders of Walgreen Co.:

We have audited the accompanying consolidated balance sheets of Walgreen Co. (an Illinois corporation) and Subsidiaries as of August 31, 2001 and 2000, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended August 31, 2001. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walgreen Co. and Subsidiaries as of August 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2001 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Arthur Andersen LLP (1)
Chicago, Illinois
September 28, 2001

(1) This report is a copy of the previously issued report covering fiscal year 2001.
The predecessor auditor has not reissued their report.

Management's Report

The primary responsibility for the integrity and objectivity of the consolidated financial statements and related financial data rests with the management of Walgreen Co. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances and included amounts that were based on management's most prudent judgments and estimates relating to matters not concluded by fiscal year-end. Management believes that all material uncertainties have been either appropriately accounted for or disclosed. All other financial information included in this annual report is consistent with the financial statements.

The firm of Deloitte & Touche LLP, independent public accountants, was engaged to render a professional opinion on Walgreen Co.'s consolidated financial statements as of August 31, 2003 and 2002. Their report contains an opinion based on their audit, which was made in accordance with auditing standards generally accepted in the United States of America and procedures which they believed were sufficient to provide reasonable assurance that the consolidated financial statements, considered in their entirety, are not misleading and do not contain material errors. The financial statements for the year ended August 31, 2001, were audited by other auditors whose report expressed an unqualified opinion on those statements.

Four outside members of the Board of Directors constitute the company's Audit Committee, which meets at least quarterly and is responsible for reviewing and monitoring the company's financial and accounting practices. Deloitte & Touche LLP and the company's General Auditor meet alone with

the Audit Committee, which also meets with the company's management to discuss financial matters, auditing and internal accounting controls. The company's systems are designed to provide an effective system of internal accounting controls to obtain reasonable assurance at reasonable cost that assets are safeguarded from material loss or unauthorized use and transactions are executed in accordance with management's authorization and properly recorded. To this end, management maintains an internal control environment which is shaped by established operating policies and procedures, an appropriate division of responsibility at all organizational levels, and a corporate ethics policy which is monitored annually. The company also has an Internal Control Evaluation Committee, composed primarily of senior management from the Accounting and Auditing Departments, which oversees the evaluation of internal controls on a company-wide basis. Management believes it has appropriately responded to the internal auditors' and independent public accountants' recommendations concerning the company's internal control system.

David W. Bernauer

David W. Bernauer
Chairman of the Board
and Chief Executive Officer

Roger L. Polark

Roger L. Polark
Senior Vice President
and Chief Financial Officer

William M. Rudolphsen

William M. Rudolphsen
Controller
and Chief Accounting Officer

Board of Directors

As of November 17, 2003

Directors

David W. Bernauer

*Chairman and Chief Executive Officer
Elected 1999*

Jeffrey A. Rein

*President and Chief Operating Officer
Elected 2003*

William C. Foote

*Chairman of the Board,
Chief Executive Officer and President
USG Corporation
Elected 1997
(1)(4*)*

James J. Howard

*Chairman Emeritus
Xcel Energy, Inc.
Elected 1986
(2)(4)*

Alan G. McNally

*Chairman
Harris Bankcorp Inc.
Elected 1999
(3)(4)*

Cordell Reed

*Former Senior Vice President
Commonwealth Edison Co.
Elected 1994
(2*)(3)*

David Y. Schwartz

*Former Partner
Arthur Andersen LLP
Elected 2000
(1)(3*)*

John B. Schwemm

*Former Chairman and
Chief Executive Officer
R.R. Donnelley & Sons Co.
Elected 1985
(1*)(2)(4)*

Marilou M. von Ferstel

*Former Executive Vice President
and General Manager
Ogilvy Adams & Rinehart
Elected 1987
(1)(4)*

Charles R. Walgreen III

*Chairman Emeritus
Elected 1963
(3)*

(1) Audit Committee

(2) Compensation Committee

(3) Finance Committee

(4) Nominating and Governance Committee

* Committee Chair

Officers

As of November 17, 2003

Corporate Officers

Chairman

David W. Bernauer
Chief Executive Officer

President

Jeffrey A. Rein
Chief Operating Officer

Executive Vice President

Jerome B. Karlin
Store Operations

Senior Vice Presidents

R. Bruce Bryant
Western Store Operations

George C. Eilers
Eastern Store Operations

J. Randolph Lewis
Distribution & Logistics

Julian A. Oettinger
*General Counsel and
Corporate Secretary*

Roger L. Polark†
Chief Financial Officer

George J. Riedl
Marketing

William A. Shiel
Facilities Development

Trent E. Taylor
Chief Information Officer

Mark A. Wagner
Central Store Operations

Vice Presidents

John W. Gleeson
Corporate Strategy and Treasurer

Dana I. Green
Human Resources

Dennis R. O'Dell
Health Services

Gregory D. Wasson
*President
Walgreens Health Initiatives*

Operational Vice Presidents

Store Operations

James F. Cnota
Kermit R. Crawford
George C. Eilers Jr.
Debra M. Ferguson
John J. Foley

David L. GlouDEMans
John W. Grant
W. Thomas Grayson

Frank C. Grilli
William M. Handal
Patrick E. Hanifen
Donald C. Huonker
Marlin W. Hutchens
Barry L. Markl

Richard Robinson
Michael D. Tovian
Kevin P. Walgreen
Christine D. Whelan
Barry W. Zins

Marketing

Robert M. Kral
Purchasing
Bruce C. Zarkowsky
Marketing Development

Divisional Vice Presidents

Thomas L. Bergseth
Facilities Planning and Design
Deidra L. Byrd
Employee Relations

John P. Cantlin
Walgreens Health Initiatives

Donald A. Churchill
Construction and Facilities

Thomas J. Connolly
Real Estate

Daniel M. Coughlin
Distribution Centers

Laurie L. Meyer
Corporate Communications

Allan M. Resnick
Law

Robert E. Rogan
Distribution Centers

Jerry A. Rubin
Real Estate

William M. Rudolphsen†
Controller

Craig M. Sinclair
Advertising

Patrick W. Tupa
Real Estate

Terry R. Watkins
Distribution Centers

Kenneth R. Weigand
Performance Development

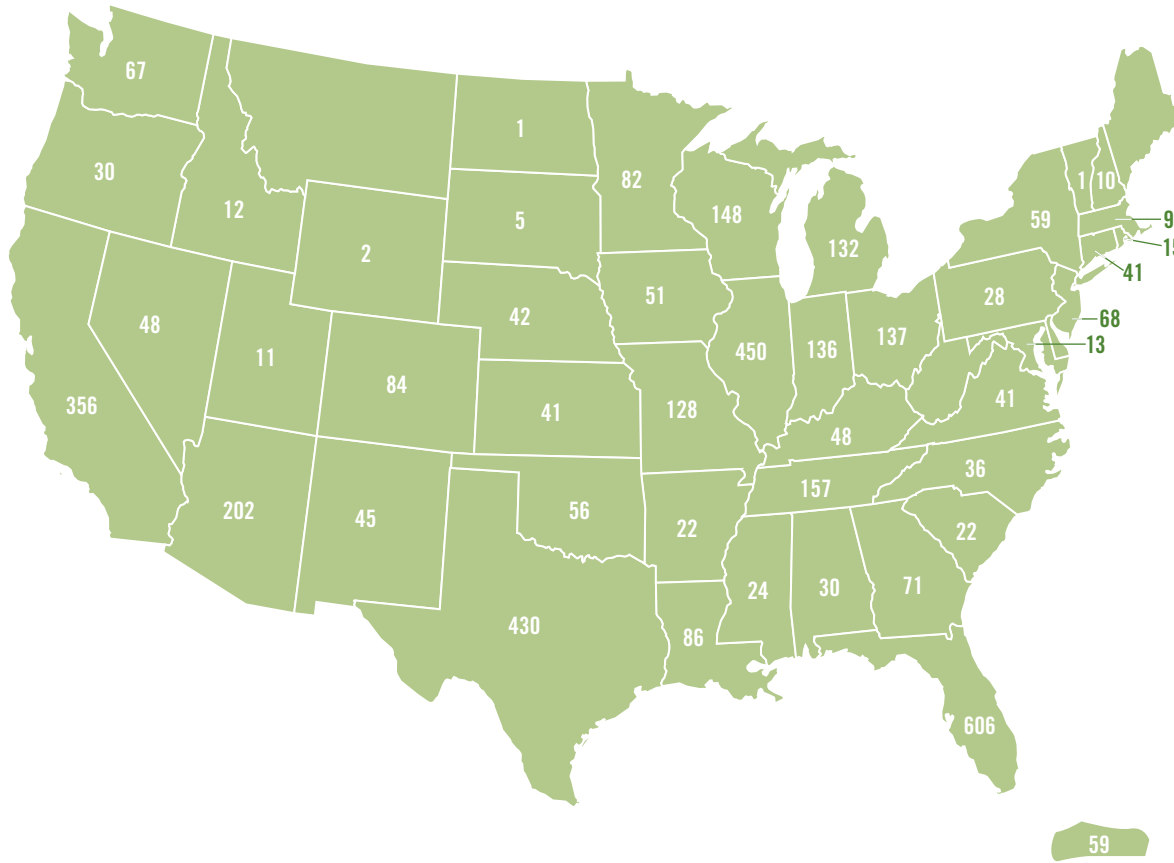
Denise K. Wong
Retail Applications

Chester G. Young
General Auditor

Robert G. Zimmerman
Walgreens Health Initiatives

† Roger L. Polark will retire in January 2004. William M. Rudolphsen will become senior vice president and chief financial officer. Mia M. Kreis will become divisional vice president and controller.

Walgreens Nationwide



State	2003	2002
Alabama	30	24
Arizona	202	192
Arkansas	22	19
California	356	325
Colorado	84	76
Connecticut	41	39
Florida	606	578
Georgia	71	51
Idaho	12	9
Illinois	450	441
Indiana	136	131
Iowa	51	50
Kansas	41	36
Kentucky	48	47
Louisiana	86	76
Maryland	13	13
Massachusetts	94	91
Michigan	132	119
Minnesota	82	79
Mississippi	24	20
Missouri	128	124
Nebraska	42	39
Nevada	48	43
New Hampshire	10	10
New Jersey	68	65
New Mexico	45	44
New York	59	57
North Carolina	36	19
North Dakota	1	1
Ohio	137	119
Oklahoma	56	51
Oregon	30	23
Pennsylvania	28	20
Rhode Island	15	15
South Carolina	22	11
South Dakota	5	4
Tennessee	157	144
Texas	430	391
Utah	11	8
Vermont	1	–
Virginia	41	33
Washington	67	51
Wisconsin	148	139
Wyoming	2	1
Puerto Rico	59	55
Total	4,227	3,883

2003 Snapshot

Welcome, Vermont!

4,227 stores in 44 states and Puerto Rico

On target for 7,000 stores by 2010

Includes three mail service facilities at August 31, 2003 and 2002.