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

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

For the fiscal year ended August 31, 2003.

[ ] 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 **1-604** .

WALGREEN CO .

(Exact name of registrant as specified in its charter)

Illinois	**36-1924025**
(State of incorporation)	(I.R.S. Employer Identification No.)
200 Wilmot Road, Deerfield, Illinois	60015
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(847) 940-2500**

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

Title of each class	Name of each exchange on which registered
Common Stock ($.078125 Par Value)	New York Stock Exchange Chicago Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange Chicago Stock Exchange

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

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 and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes X No _____

As of February 28, 2003, the aggregate market value of Walgreen Co. common stock, par value $.078125 per share, held by non-affiliates (based upon the closing transaction price on the New York Stock Exchange) was approximately $28,713,181,000.00. As of October 31, 2003, there were 1,025,200,000 shares of Walgreen Co. common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the year ended August 31, 2003, only to the extent expressly so stated herein, are incorporated by reference into parts I, II and IV of Form 10-K. Portions of the registrant's proxy statement for its 2003 annual meeting of shareholders to be held January 14, 2004, are incorporated by reference into part III of Form 10-K.

PART I

Item 1. Business

(a) General development of business.

Walgreen Co. (The "company" or "Walgreens"), the nation's largest drugstore chain, recorded its 29th year of consecutive sales and earnings growth. During the year, the company opened 430 stores while 86 were closed, 75 of which involved relocations to more convenient locations. The total number of stores at August 31, 2003 was 4,224 located in 44 states and Puerto Rico. In addition, the company operates three mail service facilities. The company anticipates operating more than 7,000 stores by 2010.

To support store expansion, a new distribution center was opened in Perrysburg, Ohio in May. Another distribution center is under construction in Southern California and is scheduled to open in spring 2004.

Prescription sales continue to become a larger portion of the company's business. This year prescriptions accounted for 62.0% of sales compared to 59.8% last year. Third party sales were 90.6% of prescription sales compared to 89.8% a year ago.

Pharmacy sales trends are expected to continue to grow, due in part to the aging population, but even more to the development of innovative drugs that will improve quality of life and help control health costs. Pharmacy sales in the United States are expected to grow almost 250 percent – to $446 billion in the next decade. As state governments continue their attempts to reduce Medicaid reimbursement levels, we continue to evaluate the impact of these reimbursement rates on profitability on a case by case basis.

During fiscal 2003, market share in 55 of the top 60 front-end categories increased, as compared to all food, drug and mass merchandise competitors. Almost 40 percent of American households shopped at Walgreens in 2002, according to A.C. Nielsen research – an 18 percent increase over two years.

During fiscal year 2003 the company spent $795.1 million on capital expenditures, which includes approximately $541.5 million related to stores, $163.1 million for distribution centers, and $90.5 million related to other corporate items. Capital expenditures for fiscal 2004 are expected to exceed $1 billion.

(b) Financial information about industry segments.

The company's primary business is the operation of retail drugstores.

(c) Narrative description of business.

(i) Principal products produced and services rendered.

The drugstores are engaged in the retail sale of prescription and nonprescription drugs and carry additional product lines such as general merchandise, cosmetics, toiletries, household items, food and beverages. Customer prescription purchases can be made at the drugstores as well as through the mail, by telephone and on the internet.

The estimated contributions of various product classes to sales for each of the last three fiscal years are as follows:

Product Class	Percentage		
	2003	2002	2001
Prescription Drugs	62%	60%	58%
Nonprescription Drugs	12	11	12
General Merchandise	26	29	30
Total Sales	100%	100%	100%

(ii) Status of a product or segment.

Not applicable.

(iii) Sources and availability of raw materials.

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

(iv) Patents, trademarks, licenses, franchises and concessions held.

Walgreens markets products under various trademarks, trade dress and trade names and holds assorted business licenses (pharmacy, occupational, liquor, etc.) having various lives, which are necessary for the normal operation of business. The company also has filed various patent applications relating to its business and products, one of which has been issued.

(v) Seasonal variations in business.

The non-pharmacy business is seasonal in nature, with Christmas generating a higher proportion of sales and earnings than other periods. See the note "Summary of Quarterly Results (Unaudited)" on page 31 of the Annual Report to Shareholders for the year ended August 31, 2003 ("2003 Annual Report"), which is incorporated herein by reference.

(vi) Working capital practices.

The company generally finances its inventory and expansion needs with internally generated funds. See the note "Short-Term Borrowings" on page 28 and "Management's Discussion and Analysis of Financial Condition" on pages 20 through 22 of the 2003 Annual Report, which sections are incorporated herein by reference. Short-term borrowings are not expected in fiscal 2004.

Due to the nature of the retail drugstore business 90.6% of all prescription sales are now covered by third party payers. Prescription sales represent 62.0% of total store sales. The remainder of store sales are principally for cash. Customer returns are immaterial.

(vii) Dependence upon limited number of customers.

Sales are to numerous customers which include various managed care organizations; therefore, the loss of any one customer or a group of customers under common control would not have a material effect on the business. No customer accounts for ten percent or more of the company's consolidated sales.

(viii)Backlog orders.

Not applicable.

(ix) Government contracts.

The company fills prescriptions for many state welfare plans. Revenues from all such plans are less than 8% of total sales.

(x) Competitive conditions.

The drug store industry is highly competitive. As a volume leader in the retail drug industry, Walgreens competes with various retailers, including chain and independent drugstores, mail order prescription providers, internet pharmacies, grocery, variety and discount department stores. Competition remained keen during the fiscal year with the company competing on the basis of price, convenience, service and variety. The company's geographic dispersion tends to offset the impact of temporary economic and competitive conditions in individual markets.

Sales by geographic area for fiscal 2003 were as follows:

State	Percent Of Sales
Florida	17%
Illinois	11
Texas	10
California	7
Arizona	6
Wisconsin	4
38 other states and Puerto Rico	45
	100%

(xi) Research and development activities.

The company does not engage in any material research activities.

(xii) Environmental disclosures.

Federal, state and local environmental protection requirements have no material effect upon capital expenditures, earnings or the competitive position of the company.

(xiii)Number of employees.

The company employs approximately 154,000 persons, about 48,000 of whom are part-time employees working less than 30 hours per week.

(d) Financial information about foreign and domestic operations and export sales.

All the company sales occur within the continental United States and Puerto Rico. There are no export sales.

(e) Available information

The company maintains a company website at www.walgreens.com. The company makes copies of its Annual Reports on Form 10-K, quarterly reports on Form 10-Q, Current Reports on Form 8-K and any amendment to those reports filed with or furnished to the SEC available to investors on or through our website free of charge as soon as reasonably practicable after the company electronically files them with or furnishes them to the SEC. The contents of the company’s website are not, however, a part of this report.

This year, the company has adopted a Code of Ethics for Financial Executives. This Code applies to and has been signed by the Chief Executive Officer, the Chief Financial Officer and the Controller. The full text of the Code of Ethics for Financial Executives is available at the company’s website, www.walgreens.com. Any changes to or waivers of this Code of Ethics for Financial Executives will be promptly disclosed on the company’s website.

Cautionary Note Regarding Forward Looking Statements

Certain information in this annual report, as well as in other public filings, the company web site, press releases and oral statements made by the company’s representatives, is forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes statements concerning pharmacy sales trends, prescription margins, number of new store openings, and the level of capital expenditures, demographic trends; as well as those that include or are preceded by the words "expects," "estimates," "believes," "plans," "anticipates" or similar language. For such statements, we claim the protection of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

The following factors, in addition to those discussed elsewhere in this annual report for the fiscal year ended August 31, 2003, could cause results to differ materially from management expectations as projected in such forward-looking statements: the impact of events related to any terrorist actions, changes in economic conditions generally or in the markets served by the company; consumer preferences and spending patterns; competition from other drugstore chains, supermarkets, on-line retailers, other retailers and mail order companies; the introduction of new brand and generic prescription drugs; changes in state or federal legislation or regulations;

the efforts of third party payers to reduce prescription reimbursement rates; the success of planned advertising and merchandising strategies; the availability and cost of real estate and construction; changes in accounting policies and practices; the company's ability to hire and retain pharmacists and other store and management personnel; the company's relationships with its suppliers; the company's ability to successfully implement new computer systems and technology; and adverse determinations with respect to litigation or other claims. Unless otherwise required by applicable securities laws, the company assumes no obligation to update its forward-looking statements to reflect subsequent events or circumstances.

Item 2. Properties

The number and location of the company's drugstores appears in the table under the caption "Walgreens Nationwide" on page 34 of the 2003 Annual Report, which section is incorporated herein by reference. Most of the company's drugstores are leased. The leases are for various terms and periods. See the caption, "Leases" on page 28 of the 2003 Annual Report, which section is incorporated herein by reference. The company owns approximately 18% of the retail stores open at August 31, 2003. The company has an aggressive expansion program of adding new stores and remodeling and relocating existing stores. Net selling space of drugstores was increased from 42.7 million square feet at August 31, 2002, to 46.7 million square feet at August 31, 2003. Approximately 56% of company stores have been opened or remodeled during the past five years.

The company's retail drugstore operations are supported by thirteen distribution centers with a total of approximately 6.8 million square feet of space, of which 5.8 million square feet is owned. The remaining space is leased. All warehouses are served by modern distribution systems for order processing control, operating efficiencies and rapid merchandise delivery to stores. In addition, the company uses public warehouses to handle certain distribution needs. A new distribution center opened in Perrysburg, Ohio in May, with another planned for Southern California with a projected opening date of spring of 2004.

There are seven principal office facilities containing approximately 1,390,000 square feet of which approximately 1,318,000 square feet is owned and the remainder is leased. Of the owned property, approximately 230,000 square feet is leased to others. The company owns one mail service facility with a ground lease and leases two other facilities. The combined square footage of these facilities is approximately 187,000 square feet.

Item 3. Legal Proceedings

The information in response to this item is incorporated herein by reference to the caption "Contingencies" on page 28 of the 2003 Annual Report.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year

EXECUTIVE OFFICERS OF THE REGISTRANT

The following information is furnished with respect to each executive officer :
of the company as of November 1, 2003

NAME AND BUSINESS EXPERIENCE	AGE	OFFICE HELD
David W. Bernauer Chairman of the Board since January 2003 Chief Executive Officer since	59	Chairman and Chief Executive Officer

January 2002		
President and Chief Operating Officer January 1999 to January 2003		
Senior Vice President July 1996 to January 1999		
Chief Information Officer February 1995 to January 1999		
Director since January 1999		
Jeffrey A. Rein	51	President and Chief Operating Officer
President and Chief Operating Officer since January 2003		
Executive Vice President February 2001 to January 2003		
Vice President July 1999 to February 2001		
Treasurer March 1996 to February 2000		
Director since January 2003		
Jerome B. Karlin	61	Executive Vice President
Executive Vice President since February 1999		
Vice President September 1987 to February 1999		
R. Bruce Bryant	53	Senior Vice President
Senior Vice President since September 2000		
Vice President, Drug Store Division September 1997 to September 2000		
George C. Eilers	63	Senior Vice President
Senior Vice President since February 1999		
Vice President, Drug Store Division July 1992 to February 1999		
J. Randolph Lewis	53	Senior Vice President
Senior Vice President since January 2000		
Vice President March 1996 to January 2000		
Julian A. Oettinger	64	Senior Vice President, Secretary and General Counsel
Senior Vice President, Secretary and General Counsel since January 2000		
Vice President, Secretary and General Counsel January 1989 to January 2000		
Roger L. Polark*	55	Senior Vice President and Chief Financial Officer
Senior Vice President and Chief Financial Officer since February 1995		

EXECUTIVE OFFICERS OF THE REGISTRANT – continued:

NAME AND BUSINESS EXPERIENCE	AGE	OFFICE HELD
George J. Riedl	43	Senior Vice President
Senior Vice President since January 2003		
Divisional Vice President December 2001 to January 2003		
General Merchandise Manager		

January 2000 to December 2001
Director, New Business Development
November 1998 to January 2000
Divisional Merchandise Manager
January 1997 to November 1998

William A. Shiel — 53 Senior Vice President
Senior Vice President since July 1993

Trent E. Taylor — 46 Senior Vice President
Senior Vice President since January 2002
Chief Information Officer since January 1999
Director, Infrastructure
August 1995 to January 1999

Mark A. Wagner — 42 Senior Vice President
Senior Vice President since February 2002
Treasurer
February 2000 to February 2002
Vice President, Drug Store Division
February 1999 to February 2000
District Manager
September 1993 to February 1999

John W. Gleeson — 57 Vice President and Treasurer
Treasurer since February 2002
Vice President since February 2000
Divisional Vice President, Marketing Systems and Services
July 1992 to January 2000

Dana I. Green — 53 Vice President
Vice President since May 2000
Divisional Vice President
July 1998 to May 2000
Director, Employee Relations
May 1989 to July 1998

Dennis R. O'Dell — 56 Vice President
Vice President since January 2000
Divisional Vice President
January 1997 to January 2000

EXECUTIVE OFFICERS OF THE REGISTRANT – continued:

NAME AND BUSINESS EXPERIENCE	AGE	OFFICE HELD

Gregory D. Wasson — 45 Vice President
Vice President since October 2001
President, WHP Health Initiatives, Inc. since March 2002
Executive Vice President, WHP Health Initiatives, Inc.
October 2001 to March 2002
Vice President, Drug Store Operations
February 1999 to October 2001
District Manager
December 1987 to February 1999

Chester G. Young — 58 General Auditor
Divisional Vice President since

		January 1995	
	General Auditor since June 1988		
William M. Rudolphsen*			48 Controller
	Controller since January 1998		
	Director of Accounting		
		September 1995 to January 1998	
Mia M. Kreis*			37 Director of Internal Audit
	Director of Internal Audit since		
		November 1999	
	Senior Manager at Arthur Andersen LLP		
		May 1998 to October 1999	

* Mr. Polark is retiring as Chief Financial Officer effective January 14, 2004. Mr. Rudolphsen will become Senior Vice President and Chief Financial Officer as of January 14, 2004. Ms. Mia Kreis will become Divisional Vice President, Accounting and Controller as of January 14, 2004.

There is no family relationship between any of the aforementioned officers of the company.

Mr. Gleeson is currently a director of Amcore Financial, Inc.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The company's common stock is traded on the New York and Chicago Stock Exchanges under the symbol WAG. As of October 31, 2003 there were 101,334 recordholders of company common stock according to the records maintained by the company's transfer agent.

The range of the sales prices of the company's common stock by quarters during the two years ended August 31, 2003, are incorporated herein by reference to the note "Common Stock Prices" on page 31 of the 2003 Annual Report.

The range of the company’s cash dividends per common share during the two years ended August, 31 2003, are as follows:

Quarter Ended	2003	2002
November	$.037500	$.03625
February	.037500	.03625
May	.037500	.03625
August	.043125	.03625
Fiscal Year	$.155625	$ .145

Item 6. Selected Financial Data

The information in response to this item is incorporated herein by reference to the caption "Eleven Year Summary of Selected Consolidated Financial Data" on pages 18 and 19 of the 2003 Annual Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information in response to this item is incorporated herein by reference to the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 20 through 22 of the 2003 Annual Report.

Item 7A. Qualitative and Quantitative Disclosures about Market Risk

Management does not believe that there is any material market risk exposure with respect to derivative or other financial instruments that would require disclosure under this item.

Item 8. Financial Statements and Supplementary Data

See Item 15.

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

None

Item 9A. Controls and Procedures

Based on their evaluation as of August 31, 2003 pursuant to Exchange Act Rule 13a-15(b), the company's management, including its Chief Executive Officer and Chief Financial Officer, believe the company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) are effective.

In connection with the evaluation pursuant to Exchange Act Rule 13a-15(d) of the company's internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) by the company's management, including its Chief Executive Officer and Chief Financial Officer, no changes during the quarter ended August 31, 2003 were identified that have materially affected, or are reasonably likely to materially affect, the company's internal controls over financial reporting.

PART III

The information required for Items 10, 11, 12, 13 and 14, with the exception of the information relating to the executive officers of the Registrant, which is presented in Part I under the heading "Executive Officers of the Registrant," and the information relating to the Registrant's Code of Ethics for Financial Executives, which is presented in Part I under the heading "Available Information," is incorporated herein by reference to the following sections of the Registrant's Proxy Statement:

Captions in Proxy

Names and Ages of Director Nominees, Their Principal Occupations and Other Information

Information Concerning the Board of Directors and its Committees

Securities Ownership of Directors and Executive Officers

Section 16(a) Beneficial Ownership Reporting Compliance

Executive Compensation

Equity Compensation Plans

Independent Public Accountants – Independent Public Accountant Fees

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents filed as part of this report

(The following financial statements, supplementary data, and report of independent public accountants appearing in the 2003 Annual Report are incorporated herein by reference.)

(The following financial statement schedule and related report of independent public accountants are included herein.
2
)

	10-K Page Number
Schedule II Valuation and Qualifying Accounts	15
Independent Auditors' Report	16
Supplemental Report of Independent Public Accountants	17

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

Other Financial Statements -

Separate financial statements of the registrant have been omitted because it is primarily an operating company, and all of its subsidiaries are included in the consolidated financial statements.

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

(b) Reports on Form 8-K

The following reports were furnished on Form 8-K during the three months ended August 31, 2003:

Report on Form 8-K, furnished June 24, 2003 to furnish information as required under Item 12 regarding the Company's results of operations for its fiscal quarter ended May 31, 2003.

(c) Exhibits

3(a) Articles of Incorporation of the company, as amended, filed with the Securities and Exchange Commission as Exhibit 3(a) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1999, and incorporated by reference herein.

(b) By-Laws of the company, as amended and restated effective as of April 9, 2002, filed with the Securities and Exchange Commission as Exhibit 3(b) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2002, and incorporated by reference herein.

4(a) Rights Agreement dated as of July 10, 1996, between the company and Harris Trust and Savings Bank, filed with the Securities and Exchange Commission as Exhibit 1 to Registration Statement on Form 8-A on July 11, 1996 (File No. 1-604), and incorporated by reference herein.

10(a) Top Management Long-Term Disability Plan. (Note 3)

(b) Executive Short-Term Disability Plan Description. (Note 3)

(c) Walgreen Co. Management Incentive Plan (as restated effective September 1, 2003), filed with the Securities and Exchange Commission as Exhibit 10(c) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2003.

(d) (i) Walgreen Co. Restricted Performance Share Plan, as amended, filed with the Securities and Exchange Commission as Exhibit 10(a) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-604), and incorporated by reference herein.

(ii) Walgreen Co. Restricted Performance Share Plan Amendment (effective October 9, 1996) filed with the Securities and Exchange Commission as Exhibit 10 (d) (ii) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2001 and incorporated by reference herein.

(e) Walgreen Co. Executive Stock Option Plan, as amended, filed with the Securities and Exchange Commission as Exhibit 10(b) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-604), and incorporated by reference herein.

(f) (i) Walgreen Co. 1986 Director's Deferred Fee/Capital Accumulation Plan. (Note 1)

(ii) Walgreen Co. 1987 Director's Deferred Fee/Capital Accumulation Plan. (Note 2)

(iii) Walgreen Co. 1988 Director's Deferred Fee/Capital Accumulation Plan. (Note 4)

	(iv)	Walgreen Co. 1992 Director's Deferred Retainer Fee/Capital Accumulation Plan. (Note 8)
(g)	(i)	Walgreen Co. 1986 Executive Deferred Compensation/Capital Accumulation Plan. (Note 1)
	(ii)	Walgreen Co. 1988 Executive Deferred Compensation/Capital Accumulation Plan. (Note 4)
	(iii)	Amendments to Walgreen Co. 1986 and 1988 Executive Deferred Compensation/Capital Accumulation Plans. (Note 6)
	(iv)	Walgreen Co. 1992 Executive Deferred Compensation/Capital Accumulation Plan Series 1. (Note 8)
	(v)	Walgreen Co. 1992 Executive Deferred Compensation/Capital Accumulation Plan Series 2. (Note 8)
	(vi)	Walgreen Co. 1997 Executive Deferred Compensation/Capital Accumulation Plan Series I, filed with the Securities and Exchange Commission as Exhibit 10(c) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-604), and incorporated by reference herein.

See Notes on page 14.

(g) (vii) Walgreen Co. 1997 Executive Deferred Compensation/Capital Accumulation Plan Series 2, filed with the Securities and Exchange Commission as Exhibit 10(d) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (File No. 1-604), and incorporated by reference herein.

(viii) Walgreen Co. 2001 Executive Deferred Compensation/Capital Accumulation Plan filed with the Securities and Exchange Commission as Exhibit 10(g) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2001 and incorporated by reference herein.

(ix) Walgreen Co. 2002 Executive Deferred Compensation/Capital Accumulation Plan filed with the Securities and Exchange Commission as Exhibit 10(g) to the company’s Annual Report on Form 10-K for the fiscal year ended August 31, 2002, and incorporated by reference herein.

(h) Share Walgreens Stock Purchase/Option Plan (effective October 1, 1992), as amended, filed with the Securities and Exchange Commission as Exhibit 10(d) to the company’s Quarterly Report on Form 10-Q for the quarter ended February 28, 2003, and incorporated by reference herein.

(i) Walgreen Co. Executive Deferred Profit-Sharing Plan (as restated effective January 1, 2003), filed with the Securities and Exchange Commission as Exhibit 10(a) to the company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2003, and incorporated by reference herein.

(j) (i) Form of Change of Control Employment Agreements. (Note 5)

(ii) Amendment to Employment Agreements adopted July 12, 1989. (Note 7)

(k) (i) Walgreen Select Senior Executive Retiree Medical Expense Plan, filed with the Securities and Exchange Commission as Exhibit 10(j) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1996 (File No. 1-604), and incorporated by reference herein.

(ii) Walgreen Select Senior Executive Retiree Medical Expense Plan Amendment No. 1 (effective August 1, 2002), filed with the Securities and Exchange Commission as Exhibit 10(a) to the company’s Quarterly Report on Form 10-Q for the quarter ended February 28, 2003 and incorporated by reference herein.

(l) Walgreen Co. Profit-Sharing Restoration Plan (as restated effective January 1, 2003), filed with the Securities and Exchange Commission as Exhibit 10(b) to the company's Quarterly Report on Form 10-Q for the quarter ended May 31, 1993, and incorporated by reference herein.

(m) Walgreen Co. Retirement Plan for Outside Directors. (Note 7)

((Walgreen Section 162(m) Deferred Compensation Plan (effective October 12, 1994), filed with the Securities and Exchange iiCommission as Exhibit 10(d) to the company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1994 (File))No. 1-604), and incorporated by reference herein.

(Walgreen Section 162(m) Deferred Compensation Plan Amendment No. 1 (effective July 9, 2003), filed with the Securities iand Exchange Commission as Exhibit 10(n) to the company's Annual Report on Form 10-K for the fiscal year ended August i31, 2003.
)

(Walgreen Co. Nonemployee Director Stock Plan (effective November 1, 1996), as amended, filed with the Securities and (Exchange Commission as Exhibit 10(b) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28,)2003, and incorporated by reference herein.

See Notes on page 14.

(p) Agreement dated February 3, 1998, by and between Walgreen Co. and Charles R. Walgreen III (for consulting services), filed with the Securities and Exchange Commission as Exhibit 10(a) to the company's Quarterly Report on Form 10-Q for the quarter ended May 31, 1998, and incorporated by reference herein.

(q) Walgreen Co. Option 3000 Plan (effective May 2, 2000), filed with the Securities and Exchange Commission as Exhibit 10(e) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2003, and incorporated by reference herein.

(r) (i) Walgreen Co. Broad-Based Stock Option Plan (effective July 10, 2002), filed with the Securities and Exchange Commission as Exhibit 10(p) to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2002, and incorporated by reference herein.

(ii) Walgreen Co. Broad-Based Employee Stock Option Plan Amendment No. 1 (effective April 1, 2003), filed with the Securities and Exchange Commission as Exhibit 10(c) to the company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2003, and incorporated by reference herein.

(s) Agreement dated October 10, 2002 by and between Walgreen Co. and L. Daniel Jorndt (for consulting services) filed with the Securities and Exchange Commission as Exhibit 10(c) to the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2003, and incorporated by reference herein.

11. The required information for this Exhibit is contained in the Consolidated Statements of Earnings and Shareholders Equity for the years ended August 31, 2003, 2002 and 2001 and also in the Summary of Major Accounting Policies, each appearing in the Annual Report and previously referenced in Part IV, Item 15, Section (a)(1).

13. Annual Report to shareholders for the fiscal year ended August 31, 2003. This report, except for those portions thereof which are expressly incorporated by reference in this Form 10-K, is being furnished for the information of the Securities and Exchange Commission and is not deemed to be "filed" as a part of the filing of this Form 10-K.

21. Subsidiaries of the Registrant.

23. Independent Auditors' Consent.

31.1 Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed with the Securities and Exchange Commission as Exhibit 31.1 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2003.

31.2 Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed with the Securities and Exchange Commission as Exhibit 31.2 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2003.

32.1 Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed with the Securities and Exchange Commission as Exhibit 32.1 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2003.

32.2 Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed with the Securities and Exchange Commission as Exhibit 32.2 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 2003.

Notes

(Note 1)	Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1986 (File No. 1-604), and incorporated by reference herein.
(Note 2)	Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1986 (File No. 1-604), and incorporated by reference herein.
(Note 3)	Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1990 (File No. 1-604), and incorporated by reference herein.
(Note 4)	Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1987 (File No. 1-604), and incorporated by reference herein.
(Note 5)	Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Current Report on Form 8-K dated October 18, 1988 (File No. 1-604), and incorporated by reference herein.
(Note 6)	Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1988 (File No. 1-604), and incorporated by reference herein.
(Note 7)	Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1989 (File No. 1-604), and incorporated by reference herein.
(Note 8)	Filed with the Securities and Exchange Commission as Exhibit 10 to the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1992 (File No. 1-604), and incorporated by reference herein.

WALGREEN CO. AND SUBSIDIARIES
SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED AUGUST 31, 2003, 2002 AND 2001
(Dollars in Millions)

Classification	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
Allowances deducted from receivables				
for doubtful accounts -				
Year Ended August 31, 2003	$20.1	$30.4	$(23.4)	$27.1
Year Ended August 31, 2002	$20.9	$22.2	$(23.0)	$20.1
Year Ended August 31, 2001	$16.9	$28.6	$(24.6)	$20.9

DELOITTE & TOUCHE LLP

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Walgreen Co. and subsidiaries (the "Company") as of August 31, 2003 and 2002, and for the years then ended, and have issued our report thereon dated October 6, 2003; such financial statements and report are included in your 2003 Annual Report to Shareholders and are incorporated herein by reference. Our audit also included the financial statement schedule as it relates to the years ended August 31, 2003 and 2002 of the Company. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule, as it relates to the years ended August 31, 2003 and 2002, when considered in relation to the 2003 and 2002 basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. The financial statement schedule for the year ended August 31, 2001 was audited by other auditors who have ceased operations. Those auditors expressed an opinion, in their report dated September 28, 2001, that such 2001 financial statement schedule, when considered in relation to the 2001 basic financial statements taken as a whole, presented fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP
Chicago, IL
October 6, 2003

ARTHUR ANDERSEN LLP

SUPPLEMENTAL REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in Walgreen Co. and Subsidiaries' annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated September 28, 2001. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. Schedule II included in this Form 10-K is the responsibility of the company's management, is presented for purposes of complying with the Securities and Exchange Commission's rules, and is not part of the basic financial statements. Schedule II has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ 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 its report.

SIGNATURES

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

WALGREEN CO.
(Registrant)

By /s/ Roger L. Polark Roger L. Polark	Senior Vice President and Chief Financial Officer	Date: November 14, 2003

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

Name	Title	Date
/s/ David W. Bernauer David W. Bernauer	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	November 17, 2003
/s/ Roger L. Polark Roger L. Polark	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	November 17, 2003
/s/ William M. Rudolphsen William M. Rudolphsen	Controller (Principal Accounting Officer)	November 17, 2003
/s/ William C. Foote William C. Foote	Director	November 14, 2003
/s/ James J. Howard James J. Howard	Director	November 17, 2003
/s/ Alan G. McNally	Director	November 17, 2003

Alan G. McNally		
/s/ Cordell Reed	Director	November 17, 2003
Cordell Reed		
/s/ Jeffrey A. Rein	President, Chief Operating	November 17, 2003
Jeffrey A. Rein	Officer and Director	
/s/ David Y. Schwartz	Director	November 17, 2003
David Y. Schwartz		
/s/ John B. Schwemm	Director	November 17, 2003
John B. Schwemm		
/s/ Marilou M. von Ferstel	Director	November 17, 2003
Marilou M. von Ferstel		
/s/ C.R. Walgreen III	Director	November 17, 2003
C.R. Walgreen III		

WALGREEN MANAGEMENT INCENTIVE PLAN

(As restated effective September 1, 2003)

1. Purpose : The purpose of the Walgreen Management Incentive Plan (the "Plan") is to provide special incentive and motivation to those Walgreen employees who make substantial contributions to the success of Walgreen Co. by their exceptional service.
2. Definitions : Whenever used in the Plan, the following terms shall have the meanings set forth below, unless the context clearly provides otherwise:
   a. The term "Average Invested Capital" shall mean the total of the Invested Capital at the beginning of the fiscal year and at the end of each fiscal quarter of such fiscal year divided by five.
   b. The term "Average Short-Term Borrowings" shall mean the daily average short-term borrowings of the Company during the fiscal quarter.
   c. The term "Average Short-Term Investments" shall mean the daily average short-term investments of the Company during the fiscal quarter.
   d. The term "Base Salary" shall mean the base salary paid during the fiscal year to a Participant, and any such base salary earned but deferred or reduced pursuant to a Company Section 401(k) plan, or Section 125 plan, or another Company deferral plan. The term Base Salary does not include any incentive or performance bonuses, Christmas bonus, stock purchase discounts, or other fringe benefits, tips, suggestions system awards, or other supplementary remuneration.
   e. The term "Bonus Base Earnings" shall mean the consolidated net earnings of the Company for the fiscal year, before deducting the LIFO inventory valuation provision and the provision for taxes based upon income, less the interest income earned on Average Short-Term Investments in excess of Average Short-Term Borrowings which is deducted in the determination of Average Invested Capital, less the effect of the capitalized lease obligations upon income, plus the Stock Award Plan Provision and after adjusting to eliminate the effect of acquisitions and divestitures upon earnings, net of their related effect on the Profit-Sharing Provision, all computed in accordance with generally accepted accounting principles and as reported to the shareholders in the Annual Report of the Company, but subject to any adjustment as may be made under the provisions of paragraph 4f of the Plan.
   f. The term "Bonus Percent" shall mean the percentage determined under the provisions of paragraph 4a of the Plan.
   g The term "Committee" shall mean the Compensation Committee appointed by the Board of Directors of Walgreen Co. from among its own members.
   h. The term "Company" shall mean and include Walgreen Co. and all of its wholly-owned subsidiaries.
   i. The term "Disability" shall mean total and permanent disability as determined by the Committee.
   j. The term "Employee" shall mean any employee of the Company, including, but not limited to, the officers of Walgreen Co. Employee shall not include any person who is not classified as an employee in the common law sense in the records of the Company, even if those records are subsequently determined to have been in error or the person is subsequently reclassified as an employee. For example, no person shall be considered to be an Employee for any period of time during which he or she: (1) is a leased employee; (2) is an independent contractor; or (3) is otherwise not classified as an employee in the records of the Company.

k. The term "Extraordinary Items" shall mean significant transactions that are different from the typical or customary business transactions and are not expected to occur frequently as determined by the informed professional judgment of the Chief Financial Officer of the Company after taking into consideration all the facts involved in a particular situation and the objectives of the Plan.

l. The term "Individual Penalty" shall mean the amount of any reduction in the bonus share that would otherwise be allocated to a Participant, as determined by the Vice President in charge of the respective division, under the ultimate direction of the Committee and its delegates. Generally, Individual Penalties shall be imposed based on the determination that the Participant's job performance and/or lack of compliance with Company policy (during or following the applicable Plan Year) do not warrant a full bonus (or any bonus).

m. The term "Invested Capital" shall mean the consolidated shareowners' equity, plus long-term obligations (including the current portion of long-term debt and capital base obligations) plus deferred income taxes, plus the reserve for LIFO inventory valuation net of its income tax effect, all computed in accordance with generally accepted accounting principles, plus the Average Short-Term Borrowings and less the Average Short-Term Investments (allowing a net investment position to reduce the Invested Capital in a quarter) for the fiscal quarter, all as they may be classified as such under generally accepted accounting principles, except that any capitalized lease obligations shall be excluded, and the liability relating to the current year's Stock Award Plan Provision, net of profit sharing and income taxes shall be included, but all subject to any adjustment as may be made under the provisions of paragraph 4f of the Plan.

n. The term "Participant" shall mean any Employee who participates in and is eligible to receive incentive compensation under the terms of the Plan.

o. The term "Plan Year" shall mean the fiscal year of Walgreen Co., which runs from September 1 to the following August 31.

p. The term "Profit-Sharing Provision" shall mean the amount of the Company's contribution to the Walgreen Profit-Sharing Retirement Plan that is expensed by the Company for the Plan Year.

q. The term "Prorated Bonus Base Salary" shall mean, for the Plan Year ending August 31, 2004, the first $60,000 of a Participant's Base Salary, or portion thereof, based on the percent of the year during which the Participant is eligible for a bonus under the Plan. For each subsequent Plan Year, this dollar threshold shall be indexed at the discretion of the Committee, such that it changes at a rate that is reasonably comparable to the rates of change in the Company's corporate salary program. The Prorated Bonus Base Salary for a Plan Year shall be approved by the Committee at the same time it approves the Return on Invested Capital levels under paragraph 4a of the Plan.

r. The term "Retirement" shall mean termination of employment from the Company in good standing, as determined by the Committee or its delegates, and after having attained at least age 55 and at least 10 years of continuous service.

s. The term "Return on Invested Capital" shall mean the Bonus Base Earnings for the fiscal year divided by the Average Invested Capital for the fiscal year.

t. The term "Salary Grade" shall mean the salary grades to which job positions are assigned under the Walgreen Co. Salary Administration Program.

u. The term "Stock Award Plan Provision" shall mean the amount expensed by the Company for the Plan Year representing the amount that will be required to satisfy the granting of stock awards to certain key employees under the Walgreen Co. Restricted Performance Share Plan.

v. The term "Swing Bonus Base Salary" shall mean that portion of a Participant's Base Salary that is in excess of Prorated Bonus Base Salary and that is earned while the Participant is eligible for a bonus under the Plan.

3. Eligibility and Participation : The following categories of Employees shall be eligible to participate in the Plan:

a. Any Employee whose job position is within Salary Grades 10 – 33 (or such higher salary grade(s) as may in the future be established) or an equivalent salary grade and is not covered by another Company management incentive plan; and

b. Any other Employee who is approved for participation by the Committee, based on the recommendation of Company management that he or she is in a position to make a substantial contribution to the success of the Company by exceptional service in a supervisory or staff position.

Notwithstanding the foregoing, the Committee shall have ultimate authority to approve or deny Plan participation to any individual Employee, and no Employee who is covered by another Company-sponsored management incentive plan or program shall be eligible to participate in the Plan. No Employee shall have a contractual right to receive any incentive award or payment, as all awards and payments are ultimately subject to the approval and authorization of the Committee.

4. Determination of Bonuses : Participant bonuses for each Plan Year shall be determined as follows:

a. Prior to the beginning of the Plan Year, or as early in the Plan Year as is practical considering the circumstances, management will recommend to the Committee the Return On Invested Capital which will result in Bonus Percents of 0%, 40%, 50%, 60%, 70%, 80%, 90% and 100%. When approved by the Committee, these rates of Return On Invested Capital will become the measures for determining the Bonus Percent to apply for that Plan Year, subject to the following:

(1) No bonuses will be paid unless the Bonus Percent earned is at least 5%.

(2) The maximum allowable Bonus Percent will be 100%.

(3) Bonus Percent between 0% and 40%, 40% and 50%, 50% and 60%, 60% and 70%, 70% and 80%, 80% and 90%, 90% and 100% will be interpolated on a straight-line basis.

b. For each Plan Year, Participants shall receive bonuses as follows:

(1) Each Participant in Salary Grade 14 and above and each Participant in Salary Grade 12 or 13 with more than two years of prior participation in the Plan will receive:

(a) Five Percent (5%) of his/her Prorated Bonus Base Salary; plus

(b) his/her Swing Bonus Base Salary multiplied by the Bonus Percent; minus

(c) any Individual Penalty.

(2) Each Participant in Salary Grade 12 or 13 who is in his or her second year of Plan participation and each Participant in Salary Grade 11 will receive:

(a) Sixty-six percent (66%) of his/her Prorated Bonus Base Salary multiplied by 5%; plus

(b) sixty-six percent (66%) of his/her Swing Bonus Base Salary multiplied by the Bonus Percent; minus

(c) any Individual Penalty.

(3) Each Participant in Salary Grade 12 or 13 who is in his or her initial year of Plan participation and each Participant in Salary Grade 10 will receive:

(a) Thirty-three percent (33%) of his/her Prorated Bonus Base Salary multiplied by 5%; plus

(b) thirty-three percent (33%) of his/her Swing Bonus Base Salary multiplied by the Bonus Percent; minus

(c) any Individual Penalty.

c. The following periods shall count for purposes of determining the years of Plan participation of Participants in Salary Grades 12 and 13:

(1) Periods of Plan participation in Salary Grades 10 and 11;

(2) Periods of participation in other Company incentive plans; and

(3) Such other periods of Company employment as determined by the Committee in its discretion.

The Committee and its delegates shall have the discretion to determine the extent to which periods of partial year participation are to be counted for this purpose and to credit past service in a manner that results in reasonable and equitable adjustments in total compensation when Participants move to new Salary Grade levels.

d. After the end of each Plan Year when the computations and accounting determinations required by paragraphs 4a and 4b have been completed, the Chief Accounting Officer of the Company will report to the Committee that in his or her opinion those computations, and accounting determinations were made in reasonable accordance with the terms of the Plan, and generally accepted accounting principles, subject to any adjustments provided for under the terms of paragraph 4f of the Plan and the certifications provided for under the terms of paragraph 4e of the Plan.

e. At the end of each fiscal quarter, the Treasurer of the Company will certify in writing to the Chief Accounting Officer of the Company the Average Short-Term Borrowings and the Average Short-Term Investments for the fiscal quarter just ended.

f. In the event that the Company experiences any Extraordinary Items, the Finance Committee of the Board of Directors will recommend to the Committee, which will in turn make its recommendations to the full Board of Directors, whether such Extraordinary Items will be included in or excluded from the determination of the Bonus Percent, and a report of the Board of Directors' decision will be delivered in writing to the Chief Accounting Officer of the Company.

g. The bonuses earned by Participants under the terms of the Plan will be paid to Participants after the first meeting of the Board of Director which follows the end of the applicable Plan Year, but in no event later than the date by which such bonuses must be paid in order to be allowed as a Federal income tax deduction for the fiscal year coinciding with such Plan Year.

5. Participation for Partial Plan Years :

a. Any Plan Participant whose employment with the Company terminates during a Plan Year for reasons other than Retirement or Disability shall not be eligible for a bonus for that Plan Year. It is not intended that this paragraph of the Plan shall prohibit Company management from recommending to the Committee for its approval a discretionary bonus if in the sole judgment of management such a discretionary bonus is warranted.

b. A Participant who is eligible for a bonus hereunder for a portion of a Plan Year (due to hire, promotion or transfer during that Plan Year), shall generally be eligible for a bonus under this Plan based on Base Salary earned during the eligible portion of the Plan Year. Notwithstanding the foregoing, the bonus amount payable to a Participant who is hired within the Plan Year, moves to a different bonusable grade level during the Plan Year, or receives payment under another Company incentive plan during the current or prior year, shall be subject to the discretion of the Committee and its delegates.

c. Subject to the end-of-year employment requirement set forth in paragraph 5a above, a Plan Participant who is on a Company-approved leave of absence for a portion of a Plan Year shall remain eligible for a bonus for such Plan Year, provided that such leave of absence is six months or less. Any short-term and/or long-term disability pay during any such leave of absence shall be included in such Participant's bonusable Base Salary.

6. Administration . Subject to the terms of the Plan and the powers granted to the full Board of Directors, the Committee has ultimate authority and responsibility for the administration of the Plan. The Committee shall have all powers necessary to administer the Plan, including, without limitation, the power to interpret the provisions of the Plan, to decide all questions of eligibility, to establish rules and forms for the administration of the Plan, and to delegate specific duties and responsibilities to officers or other employees of the Company. All determinations, interpretations, rules, and decisions of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having or claiming to have any interest or right under the Plan.

7. Indemnification . The Company shall indemnify the members of the Committee, the members of the Board and all Company officers and other employees responsible for administering the Plan against any and all liabilities arising by reason of any act or failure to act made in good faith in accordance with the provisions of the Plan. For this purpose, liabilities include expenses reasonably incurred in the defense of any claim relating to the Plan.

8. Amendment and Termination . The Plan may be amended from time to time or terminated at any time by the Board of Directors of Walgreen Co.

9. General Plan Provisions :

a. Nothing in this Plan is intended to limit the authority of the Committee to award additional discretionary bonuses to one or more senior executives of the Company as the Committee deems appropriate from time to time.

b. The impact of the payment of bonuses under the Plan on Participants' other Company employee benefits shall be based on the governing terms of such other employee benefit plans and programs, or as determined by the Committee or its delegates, where necessary.

c. Neither the existence of the Plan nor any substantive aspect of the Plan shall give any Participant the right to continued employment with the Company for any period of time or shall interfere with the right of the Company to discipline or discharge a Participant at any time.

d. The Company shall withhold from any bonus payment made pursuant to the Plan any taxes required to be withheld from such payment under local, state or federal law.

e. The Company shall not be required to fund or otherwise segregate any cash or other assets for purposes of meeting its obligations under the Plan.

f. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Illinois, except as preempted by federal law.

g. A Participant shall not have any right to pledge, hypothecate, anticipate or in any way create a lien upon any amounts provided under this Plan and no benefits payable hereunder shall be assignable in anticipation of payment either by voluntary or involuntary acts, or by operation of law.

h. The Plan shall be binding upon the Company and any successor of the Company, including without limitation any corporation or other entity acquiring directly or indirectly all or substantially all of the assets of the Company whether by merger, consolidation, sale or otherwise. Such successor shall thereafter be deemed the "Company" for the purposes of the Plan.

AMENDMENT
to the
WALGREEN SECTION 162(m) DEFERRED COMPENSATION PLAN

WHEREAS, Walgreen Co. (the "Company") maintains the Walgreen Section 162(m) Deferred Compensation Plan (the "Plan"), which was adopted by the Company effective as of October 1994;

WHEREAS, it is considered desirable to amend the Plan (1) to provide participants with the opportunity to make advance elections as to the manner in which their benefits are to be paid (subject to applicable legal constraints) and (2) to provide for a standard timing and form of benefit payment in the absence of such elections;

WHEREAS, pursuant to Article 8 of the Plan, this Compensation Committee of the Board of Directors of the Company has the authority to amend the Plan on behalf of the Company; and

WHEREAS, a form of amendment entitled, "Walgreen Section 162(m) Deferred Compensation Plan Amendment No. 1" has this day been presented to this meeting.

NOW THEREFORE BE IT RESOLVED, that the form of Amendment No. 1 this day presented to this meeting be and it is hereby approved, and that said Amendment No. 1 be and it hereby is adopted effective as of July 9, 2003;

BE IT FURTHER RESOLVED, that the appropriate officers of the Company are hereby authorized, to the extent deemed necessary, to prepare and submit any required governmental filings with respect to this Amendment; and

BE IT FURTHER RESOLVED, that the appropriate officers of the Company are hereby authorized and directed to take such steps that in their opinion are necessary or advisable in order to implement this Amendment to the Plan and otherwise carry out the intent and purposes of the foregoing resolutions.

WALGREEN CO. SECTION 162(m) DEFERRED COMPENSATION PLAN
AMENDMENT NO. 1
(Effective as of July 9, 2003)

Section 4.4 of the Plan is amended in its entirety to read as follows:

4.4 Payment of Deferred Amounts. Payment of deferred Compensation amounts, together with interest earned thereon, shall be made in cash as follows:

(a) Form of Payment . The form of payment shall be in accordance with the election made by the Participant (on such form or forms provided by the Committee for such purpose), from among the following options:

1. One lump sum.
2. Annual installments over five, 10 or 15 years, with each annual payment (made on or about January 15) equal to the remaining deferred Compensation balance (including interest earned pursuant to Section 5.2 below), divided by the number of remaining

annual payments.

(b) Timing of Payment . Payment of the Participant's deferred Compensation amounts shall commence (or, in the case of lump-sum payments, shall be made) no earlier than January 15 of the fiscal year following the fiscal year in which the Participant ceases to be a Covered Employee under Code Section 162(m) (the "Default Commencement Date"); provided that the Committee may delay payment (or commencement of payment) to such later date as necessary to avoid the application of the deduction limit under Section 162(m) with respect to Compensation paid to such Participant. A Participant may elect (on such form or forms provided by the Committee for such purpose) to defer commencement of payment to on or about January 15 of any future year, provided that payment must commence no later than the later of:

1. On or about the five-year anniversary of the "Default Commencement Date"; or
2. On or about the January 15 th following the Participant's 65 th birthday.

(c) Notwithstanding the foregoing, deferred Compensation with respect to which no timing and/or form of payment election(s) are made by the Participant (or with respect to which no such election(s) are made within the prescribed time frame), shall be paid in annual installments over a five-year period, commencing as of the Default Commencement Date.

Eleven-Year Summary of Selected Consolidated Financial Data

Walgreen Co. and Subsidiaries

(Dollars in Millions, except per share data)

Fiscal Year	**2003**	**2002**	**2001**	**2000**
Net Sales	$32,505.4	$28,681.1	$24,623.0	$21,206.9
Costs and Deductions				
Cost of sales	23,706.2	21,076.1	18,048.9	15,465.9
Selling, occupancy and administration	6,950.9	5,980.8	5,175.8	4,516.9
Other (income) expense (1)	(40.4)	(13.1)	(24.4)	(39.2)
Total Costs and Deductions	30,616.7	27,043.8	23,200.3	19,943.6
Earnings				
Earnings before income tax provision and cumulative effect of accounting changes	1,888.7	1,637.3	1,422.7	1,263.3
Income tax provision	713.0	618.1	537.1	486.4
Earnings before cumulative effect of accounting changes	1,175.7	1,019.2	885.6	776.9
Cumulative effect of accounting changes (2)	-	-	-	-
Net Earnings	$1,175.7	$ 1,019.2	$ 885.6	$ 776.9
Per Common Share (3)				
Net earnings (2)				
Basic	$1.15	$ 1.00	$ .87	$ .77
Diluted	1.14	.99	.86	.76
Dividends declared	.16	.15	.14	.14
Book value	7.02	6.08	5.11	4.19
Non-Current Liabilities				
Long-term debt	$ 9.4	$ 11.2	$ 20.8	$ 18.2
Deferred income taxes	228.0	176.5	137.0	101.6
Other non-current liabilities	552.3	505.7	457.2	446.2
Assets and Equity				
Total assets	$11,405.9	$ 9,878.8	$ 8,833.8	$ 7,103.7
Shareholders' equity	7,195.7	6,230.2	5,207.2	4,234.0
Return on average shareholders' equity	17.5%	17.8%	18.8%	20.1%
Drugstore Units				
Year-end: Units (4)	4,227	3,883	3,520	3,165

1999	1998	1997	1996	1995	1994	1993
$17,838.8	$15,306.6	$13,363.0	$11,778.4	$10,395.1	$9,235.0	$8,294.8
12,978.6	11,139.4	9,681.8	8,514.9	7,482.3	6,614.4	5,959.0
3,844.8	3,332.0	2,972.5	2,659.5	2,392.7	2,164.9	1,929.6
(11.9)	(41.9)	(3.9)	(2.9)	(3.6)	(2.7)	6.5
16,811.5	14,429.5	12,650.4	11,171.5	9,871.4	8,776.6	7,895.1
1,027.3	877.1	712.6	606.9	523.7	458.4	399.7
403.2	339.9	276.1	235.2	202.9	176.5	154.4
624.1	537.2	436.5	371.7	320.8	281.9	245.3
-	(26.4)	-	-	-	-	(23.6)
$ 624.1	$ 510.8	$ 436.5	$ 371.7	$ 320.8	$ 281.9	$ 221.7
$ .62	$ .51	$ .44	$ .38	$ .33	$ .29	$ .23
.62	.51	.44	.37	.32	.29	.23
.13	.13	.12	.11	.11	.09	.08
3.47	2.86	2.40	2.08	1.82	1.60	1.40
$ 18.0	$ 13.6	$ 3.3	$ 3.4	$ 2.4	$ 1.8	$ 6.2
74.8	89.1	112.8	145.2	142.3	137.7	144.2
405.8	369.9	279.2	259.9	237.6	213.8	176.2
$ 5,906.7	$ 4,901.6	$ 4,207.1	$ 3,633.6	$ 3,252.6	$2,872.8	$2,506.0
3,484.3	2,848.9	2,373.3	2,043.1	1,792.6	1,573.6	1,378.8
19.7%	19.6%	19.8%	19.4%	19.1%	19.1%	18.8%
2,821	2,549	2,358	2,193	2,085	1,968	1,836

(1) Fiscal 2003, 2002, 2001 and 2000 include pre-tax income of $29.6 million ($.018 per share), $6.2 million ($.004 per share), $22.1 million ($.013 per share) and $33.5 million ($.021 per share), respectively, from the payments of the company's portion of litigation settlements. Fiscal 1998 includes a pre-tax gain of $37.4 million ($.023 per share) from the sale of the company's long-term care pharmacy business.

(2) Fiscal 1998 includes the after-tax $26.4 million ($.03 per share) charge from the cumulative effect of accounting change for system development costs. Fiscal 1993 includes the after-tax $23.6 million ($.02 per share) charge from the cumulative effect of accounting changes for postretirement benefits and income taxes.

(3) Per share data have been adjusted for two-for-one stock splits in 1999, 1997 and 1995.

(4) Units include mail service facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

Fiscal 2003 was the 29th consecutive year of record sales and earnings. Net earnings were $1.176 billion, or $1.14 per share (diluted), an increase of 15.4% from last year's earnings of $1.019 billion, or $.99 per share (diluted). Net earnings increases resulted from improved sales and gross profit ratios partially offset by higher expense ratios. Included in this year's results was a $29.6 million pre-tax gain ($.018 per share) from the payments of the company's portion of litigation settlements. Last year's results included a $6.2 million ($.004 per share) comparable payment. Excluding these gains, fiscal year earnings rose 14.0%.

Net sales increased by 13.3% to $32.5 billion in fiscal 2003 compared to increases of 16.5% in 2002 and 16.1% in 2001. Drugstore sales increases resulted from sales gains in existing stores and added sales from new stores, each of which include an indeterminate amount of market-driven price changes. Comparable drugstore (those open at least one year) sales were up 8.6% in 2003 and 10.5% in 2002 and 2001. New store openings accounted for 7.5% of the sales gains in 2003, 9.6% in 2002 and 11.3% in 2001. The company operated 4,227 drugstores as of August 31, 2003, compared to 3,883 a year earlier.

Prescription sales increased 17.4% in 2003, 21.2% in 2002 and 20.9% in 2001. Comparable drugstore prescription sales were up 13.2% in 2003, 16.3% in 2002 and 17.6% in 2001. Prescription sales were 62.0% of total sales for fiscal 2003 compared to 59.8% in 2002 and 57.5% in 2001. The effect of generic drugs replacing brand name drugs lowered prescription sales by 2.1% for 2003. The shift of Claritin from prescription to over-the-counter status also reduced prescription sales. Pharmacy sales trends are expected to continue primarily because of expansion into new markets, increased penetration in existing markets, availability of new drugs, demographic changes such as the aging population, and a Medicare prescription drug benefit that may increase drug usage. As state governments continue their attempts to reduce reimbursement levels, we continue to evaluate the impact of these reimbursement rates on profitability on a case by case basis. Third party sales, where reimbursement is received from managed care organizations as well as government and private insurance, were 90.6% of pharmacy sales in 2003, 89.8% in 2002 and 88.4% in 2001.

{BAR CHART} NET CASH PROVIDED BY OPERATING ACTIVITIES
For the Years ended August 31 (Millions of dollars)

2001 $ 719.2
2002 $1,473.8
2003 $1,491.5

As of January 2003, we adopted Emerging Issues Task Force (EITF) Issue No. 02-16, "Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor." This pronouncement requires vendor allowances to be treated as a reduction of inventory cost unless specifically identified as reimbursements for other services. In addition, any vendor allowances received that exceed the cost incurred for such services should also be treated as a reduction of inventory cost. The impact of EITF Issue No. 02-16 in fiscal 2003 resulted in an increase to advertising costs of $75.0 million (.23% of total sales), a reduction to cost of sales of $56.2 million (.17% of total sales), and a reduction to pre-tax earnings and inventory of $18.8 million.

Gross margins as a percent of total sales were 27.1% in 2003, 26.5% in 2002 and 26.7% in 2001. The shift in vendor allowances from advertising to cost of sales contributed to the fiscal 2003 increase.

We use the last-in, first-out (LIFO) method of inventory valuation. The effective LIFO inflation rates were .84% in 2003, 1.42% in 2002 and 1.93% in 2001, which resulted in charges to cost of sales of $36.2 million in 2003, $55.9 million in 2002 and $62.8 million in 2001. Inflation on prescription inventory was 3.8% in 2003, 4.3% in 2002 and 4.9% in 2001. In all three fiscal years, we experienced some deflation in non-pharmacy inventories.

Selling, occupancy and administration expenses were 21.4% of sales in fiscal 2003, 20.9% in fiscal 2002 and 21.0% in fiscal 2001. The increase in fiscal 2003, as a percent to sales, was principally caused by the shift in vendor allowances from advertising to cost of sales, as well as higher store salaries and occupancy as a percent to sales. The increase in the number of 24-hour stores to 1,112 from 900 a year ago contributed to the rise in salaries. Lower sales as a result of new generic drugs also increased expense ratios. The decline in fiscal 2002 was caused by a decline in store direct expenses, which were partially offset by higher occupancy costs.

Interest income increased in 2003 principally due to higher investment levels. Average net investment levels were approximately $631 million in 2003, $162 million in 2002 and $31 million in 2001.

The effective income tax rate was 37.75% for fiscal 2003, 2002 and 2001.

Critical Accounting Policies

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on management's prudent judgments and estimates. Actual results may differ from these estimates. Management believes that any reasonable deviation from these judgments and estimates would not have a material impact on the company's 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 statements. Some of the more significant estimates include liability for closed locations, liability for insurance claims, vendor allowances, allowance for doubtful accounts and cost of sales. The company uses the following techniques to determine estimates:

Liability for closed locations -
The present value of future rent obligations and other related costs to the first lease option date or estimated sublease date.
Liability for insurance claims –

Provisions for these losses are recorded based upon the company's estimates for claims incurred. The provisions are estimated in part by considering historical claims experience, demographic factors and other actuarial assumptions.

Vendor allowances –

Vendor allowances are principally received as a result of purchase levels or promoting vendors' products. Those received as a result of purchase levels are accrued as earned over the incentive period, based on estimates. These allowances are recorded as a reduction of inventory and are recognized as a reduction of cost of sales when the related merchandise is sold. Those received for promoting vendors' products are offset against advertising expense and result in a reduction of selling, occupancy and administration expenses to the extent of advertising costs incurred, with the excess treated as a reduction of inventory costs.

Allowance for doubtful accounts –

Based on both specific receivables and historic write-off percentages.

Cost of sales –

Primarily derived based upon point-of-sale scanning information with an estimate for shrinkage and adjusted based on periodic inventories.

Financial Condition

Cash and cash equivalents were $1.017 billion at August 31, 2003, compared to $449.9 million at August 31, 2002. Short-term investment objectives are to minimize risk, maintain liquidity and maximize after-tax yields. To attain these objectives, investment limits are placed on the amount, type and issuer of securities. Investments are principally in top-tier money market funds, tax exempt bonds and commercial paper.

Net cash provided by operating activities was $1.5 billion in both fiscal 2003 and 2002. The company's profitability is the principal source for funding expansion and remodeling programs, dividends to shareholders and various technological improvements.

Net cash used for investing activities was $702.2 million in fiscal 2003 and $551.9 million in 2002. Additions to property and equipment were $795.1 million compared to $934.4 million last year. During the year, 430 new or relocated drugstores were opened, compared to 471 opened in the same period last year. This reduction represents a combination of timing and a more selective site approval process. New stores are owned or leased, with 54 owned locations opened during the year and 43 under construction at August 31, 2003, versus 102 owned and 54 under construction for the same period last year. During the year, one new distribution center opened in Perrysburg, Ohio. Last year, two distribution centers opened, one in West Palm Beach (Jupiter), Florida, and the other in the Dallas metropolitan area.

During fiscal 2002, the company entered into two sale-leaseback transactions. These transactions involved 86 drugstore locations and resulted in proceeds of $302 million.

Capital expenditures for fiscal 2004 are expected to exceed $1 billion. We expect to open approximately 450 new stores in fiscal 2004 and have a total of 7,000 drugstores by the year 2010. Major areas for store expansion in 2004 include California, the Carolinas, Florida, Texas and the state of Washington. We are continuing to relocate stores to more convenient and profitable freestanding locations. In addition to new stores, a significant portion of the expenditures will be made for technology and distribution centers. A new distribution center is under construction in Southern California and is scheduled to open in spring 2004.

[PIE CHART] CAPITAL EXPENDITURES-FISCAL YEAR 2004
We plan to spend $1.072 billion

Stores – 49%
Distribution – 12%
Store Technology – 22%
Other – 17%

Net cash used for financing activities was $222.1 million compared to $488.9 million last year. There were no outstanding borrowings during fiscal year 2003. Last year included payments of $440.7 million on short-term borrowings. At August 31, 2003, we had a syndicated bank line of credit facility of $400 million to support our short-term commercial paper program. This fiscal year we purchased company stock on the open market to satisfy the requirements of various stock purchase and option plans, as opposed to last fiscal year when stock was principally issued from authorized but unissued shares.

Contractual Obligations and Commitments

The following table lists our contractual obligations and commitments as of August 31, 2003 (In Millions):

5

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Operating leases*	$19,307.5	$1,185.6	$2,405.3	$2,229.6	$13,487.0
Purchase obligations:					
Open inventory purchase orders*	756.2	756.2	-	-	-
Real estate development*	245.7	245.7	-	-	-
Other corporate obligations*	18.3	18.3	-	-	-
Insurance	287.6	128.2	89.1	47.0	23.3
Retiree health & life	158.8	6.7	12.3	15.9	123.9
Closed location obligations	86.3	21.6	30.7	19.3	14.7
Long-term debt	16.1	6.7	3.6	1.1	4.7
Capital lease obligations	5.7	1.4	1.6	.3	2.4
Other long-term liabilities reflected on the balance sheet	191.2	19.5	25.1	20.9	125.7
Total	$21,073.4	$2,389.9	$2,567.7	$2,334.1	$13,781.7

* Not on balance sheet.

Off-Balance Sheet Arrangements

Letters of credit are issued to support purchase obligations and commitments (as reflected on the Contractual Obligations and Commitments table) as follows (In Millions):

Inventory obligations	$ 60.7
Real estate development	1.6
Insurance	84.5
Total	$ 146.8

We have no other off-balance sheet arrangements other than those disclosed on the previous Contractual Obligations and Commitments table.

Both on- and off-balance sheet financing are considered when targeting debt to equity ratios to balance the interest of equity and debt (real estate) investors. This balance allows us to lower our cost of capital while maintaining a prudent level of financial risk.

Recent Accounting Pronouncements

In September 2002, the Emerging Issues Task Force (EITF) released Issue No. 02-16, "Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor," which has two parts. The first part, which we adopted in January 2003, requires that vendor allowances be categorized as a reduction of cost of sales unless they are a reimbursement of costs incurred to sell the vendor’s products, in which case the cash consideration should be characterized as a reduction of that cost. If the amount of cash consideration paid by a vendor exceeds the estimated fair value of the benefit received, that excess should be characterized as a reduction of the cost of sales when recognized in the customer’s income statement. Previously, the entire advertising allowance received was credited to advertising expense and resulted in a reduction of selling, occupancy and administration expense. The impact of EITF Issue No. 02-16 in fiscal 2003 resulted in an increase to advertising costs of $75.0 million (.23% of total sales), a reduction to cost of sales of $56.2 million (.17% of total sales), and a reduction to pre-tax earnings and inventory of $18.8 million.

6

The second part of the pronouncement requires that rebates or refunds, which are payable only if the customer completes a specified cumulative level of purchases, should be recognized as a reduction of cost of sales based on a systematic and rational allocation over the purchase period. This portion of the pronouncement did not require any change to our existing accounting.

Financial Accounting Standards Board (FASB) Interpretation No. 45, "Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," requires a guarantor to recognize a liability in some instances and disclosure only in others. The disclosure requirements were adopted in our second quarter. The recognition and initial measurement provisions, effective for guarantees issued or modified after December 31, 2002, did not require any change to our existing accounting.

In December, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123," which adds additional disclosures (and modifies some existing disclosures) for companies that have adopted the disclosure-only requirements of SFAS No. 123. The disclosure requirements were adopted in our third quarter.

Cautionary Note Regarding Forward-Looking Statements

Certain statements and projections of future results made in this report constitute forward-looking information that is based on current market, competitive and regulatory expectations that involve risks and uncertainties. Those risks and uncertainties include changes in economic conditions generally or in the markets served by the company; consumer preferences and spending patterns; changes in state or federal legislation or regulations; the availability and cost of real estate and construction; competition; and risks of new business areas. Please see Walgreen Co.'s Form 10-K for the period ended August 31, 2003, for a discussion of certain other important factors as they relate to forward-looking statements. Actual results could differ materially.

Consolidated Statements of Earnings and Shareholders' Equity

Walgreen Co. and Subsidiaries

For the Years Ended August 31, 2003, 2002 and 2001
(Dollars in Millions, except per share data)

Earnings	**2003**	**2002**	**2001**
Net Sales	$32,505.4	$28,681.1	$24,623.0
Costs and Deductions			
Cost of sales	23,706.2	21,076.1	18,048.9
Selling, occupancy and administration	6,950.9	5,980.8	5,175.8
	30,657.1	27,056.9	23,224.7
Other (Income) Expense			
Interest income	(10.8)	(6.9)	(5.4)
Interest expense	-	-	3.1
Other income	(29.6)	(6.2)	(22.1)
	(40.4)	(13.1)	(24.4)
Earnings			
Earnings before income tax provision	1,888.7	1,637.3	1,422.7
Income tax provision	713.0	618.1	537.1
Net Earnings	$ 1,175.7	$ 1,019.2	$ 885.6
Net Earnings per Common Share			
Basic	$ 1.15	$ 1.00	$ .87
Diluted	1.14	.99	.86
Average shares outstanding	1,024,908,276	1,022,554,460	1,016,197,785
Dilutive effect of stock options	6,672,051	9,716,486	12,748,828
Average shares outstanding assuming dilution	1,031,580,327	1,032,270,946	1,028,946,613

The accompanying Summary of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.

	Common Stock		**Paid-in**	**Retained**
Shareholders' Equity	**Shares**	**Amount**	**Capital**	**Earnings**
Balance, August 31, 2000	1,010,818,890	$79.0	$367.2	$3,787.8
Net earnings	-	-	-	885.6
Cash dividends declared ($.14 per share)	-	-	-	(142.5)

Employee stock purchase and option plans	8,606,162	.6	229.5	-
Balance, August 31, 2001	1,019,425,052	79.6	596.7	4,530.9
Net earnings	-	-	-	1,019.2
Cash dividends declared ($.145 per share)	-	-	-	(148.4)
Employee stock purchase and option plans	5,483,224	.5	151.7	-
Balance, August 31, 2002	1,024,908,276	80.1	748.4	5,401.7
Net earnings	-	-	-	1,175.7
Cash dividends declared ($.155625 per share)	-	-	-	(159.6)
Employee stock purchase and option plans	-	-	(50.6)	-
Balance, August 31, 2003	1,024,908,276	$80.1	$697.8	$6,417.8

The accompanying Summary of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.

Consolidated Balance Sheets

Walgreen Co. and Subsidiaries

At August 31, 2003 and 2002

(Dollars in Millions)

Assets	**2003**	**2002**
Current Assets		
Cash and cash equivalents	$ 1,017.1	$ 449.9
Accounts receivable, net	1,017.8	954.8
Inventories	4,202.7	3,645.2
Other current assets	120.5	116.6
Total Current Assets	6,358.1	5,166.5
Non-Current Assets		
Property and equipment, at cost, less accumulated depreciation and amortization	4,940.0	4,591.4
Other non-current assets	107.8	120.9
Total Assets	$11,405.9	$9,878.8
Liabilities and Shareholders' Equity		
Current Liabilities		
Trade accounts payable	$ 2,077.0	$1,836.4
Accrued expenses and other liabilities	1,237.7	1,017.9
Income taxes	105.8	100.9
Total Current Liabilities	3,420.5	2,955.2
Non-Current Liabilities		
Deferred income taxes	228.0	176.5
Other non-current liabilities	561.7	516.9
Total Non-Current Liabilities	789.7	693.4
Shareholders' Equity		
Preferred stock, $.0625 par value; authorized 32 million shares; none issued	-	-
Common stock, $.078125 par value; authorized 3.2 billion shares; issued and outstanding 1,024,908,276 in 2003 and 2002	80.1	80.1
Paid-in capital	697.8	748.4
Retained earnings	6,417.8	5,401.7
Total Shareholders' Equity	7,195.7	6,230.2
Total Liabilities and Shareholders' Equity	$11,405.9	$9,878.8

The accompanying Summary of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.

Consolidated Statements of Cash Flows

Walgreen Co. and Subsidiaries

For the Years Ended August 31, 2003, 2002 and 2001

(In Millions)

Fiscal Year	2003	2002	2001
Cash Flows from Operating Activities			
Net earnings	$1,175.7	$ 1,019.2	$ 885.6
Adjustments to reconcile net earnings to net cash provided by operating activities –			
Depreciation and amortization	346.1	307.3	269.2
Deferred income taxes	58.9	22.9	46.9
Income tax savings from employee stock plans	24.4	56.8	67.3
Other	29.2	(8.6)	2.1
Changes in operating assets and liabilities -			
Inventories	(557.5)	(162.8)	(651.6)
Trade accounts payable	240.6	289.6	182.8
Accounts receivable, net	(56.7)	(170.6)	(177.3)
Accrued expenses and other liabilities	177.6	75.0	82.2
Income taxes	4.9	14.3	(5.4)
Other	48.3	30.7	17.4
Net cash provided by operating activities	1,491.5	1,473.8	719.2
Cash Flows from Investing Activities			
Additions to property and equipment	(795.1)	(934.4)	(1,237.0)
Disposition of property and equipment	84.5	368.1	43.5
Net proceeds from corporate-owned life insurance	8.4	14.4	59.0
Net cash used for investing activities	(702.2)	(551.9)	(1,134.5)
Cash Flows from Financing Activities			
(Payments of) proceeds from short-term borrowings	-	(440.7)	440.7
Cash dividends paid	(152.4)	(147.0)	(140.9)
(Costs) proceeds from employee stock plans	(67.2)	111.1	126.1
Other	(2.5)	(12.3)	(6.5)
Net cash (used for) provided by financing activities	(222.1)	(488.9)	419.4
Changes in Cash and Cash Equivalents			
Net increase in cash and cash equivalents	567.2	433.0	4.1
Cash and cash equivalents at beginning of year	449.9	16.9	12.8
Cash and cash equivalents at end of year	$1,017.1	$ 449.9	$ 16.9

The accompanying Summary of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.

Summary of Major Accounting Policies

Description of Business

The company is principally in the retail drugstore business and its operations are within one reportable segment. Stores are located in 44 states and Puerto Rico. At August 31, 2003, there were 4,224 retail drugstores and 3 mail service facilities. Prescription sales were 62.0% of total sales for fiscal 2003 compared to 59.8% in 2002 and 57.5% in 2001.

Basis of Presentation

The consolidated statements include the accounts of the company and its subsidiaries. All significant intercompany transactions have been eliminated. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on management's prudent judgments and estimates. While actual results may differ from these estimates, management does not expect the differences, if any, to have a material effect on the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with an original maturity of three months or less. The company's cash management policy provides for the bank disbursement accounts to be reimbursed on a daily basis. Checks issued but not presented to the banks for payment of $391 million and $317 million at August 31, 2003 and 2002, respectively, are included in cash and cash equivalents as reductions of other cash balances.

Financial Instruments

The company had approximately $60.7 million and $37.3 million of outstanding letters of credit at August 31, 2003 and 2002, respectively, which guaranteed foreign trade purchases. Additional outstanding letters of credit of $84.5 million and $84.0 million at August 31, 2003 and 2002, respectively, guaranteed payments of casualty claims. The casualty claim letters of credit are annually renewable and will remain in place until the casualty claims are paid in full. Letters of credit were also outstanding at August 31, 2003 and 2002 in the amount of $1.6 million to guarantee performance of construction contracts. The company pays a nominal facility fee to the financing bank to keep this line of credit facility active. The company also had purchase commitments of approximately $245.7 million and $70.0 million at August 31, 2003 and 2002, respectively, related to the purchase of store locations and distribution centers. There were no investments in derivative financial instruments during fiscal 2003 and 2002.

Inventories

Inventories are valued on a lower of last-in, first-out (LIFO) cost or market basis. At August 31, 2003 and 2002, inventories would have been greater by $729.7 million and $693.5 million, respectively, if they had been valued on a lower of first-in, first-out (FIFO) cost or market basis. Included in inventory are product cost and in-bound freight. Cost of sales is primarily derived based upon point-of-sale scanning information with an estimate for shrinkage and adjusted based on periodic inventories.

Vendor Allowances

Vendor allowances are principally received as a result of purchase levels or promoting vendors products. Those received as a result of purchase levels are accrued as earned over the incentive period, based on estimates. These allowances are recorded as a reduction of inventory and are recognized as a reduction of cost of sales when the related merchandise is sold. Those received for promoting vendors’ products are offset against advertising expense and result in a reduction of selling, occupancy and administration expenses to the extent of advertising costs incurred, with the excess treated as a reduction of inventory costs. Prior to the adoption of EITF Issue No. 02-16, "Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor," in January 2003, the entire advertising allowance received was credited to advertising expense and resulted in a reduction of selling, occupancy and administration expense.

Property and Equipment

Depreciation is provided on a straight-line basis over the estimated useful lives of owned assets. Leasehold improvements and leased properties under capital leases are amortized over the estimated physical life of the property or over the term of the lease, whichever is shorter. Estimated useful lives range from 12 to 39 years for land improvements, buildings and building improvements and 5 to 12 years for equipment. Major repairs, which extend the useful life of an asset, are capitalized in the property and equipment accounts. Routine maintenance and repairs are charged against earnings. The composite method of depreciation is used for equipment; therefore, gains and losses on retirement or other disposition of such assets are included in earnings only when an operating location is closed, completely remodeled or impaired. Fully depreciated property and equipment are removed from the cost and related accumulated depreciation and amortization accounts.

Property and equipment consists of (In Millions):

	2003	**2002**
Land and land improvements		
Owned stores	$1,153.9	$1,080.4
Distribution centers	61.9	57.8
Other locations	3.9	9.3
Buildings and building improvements		
Owned stores	1,334.9	1,185.9
Leased stores (leasehold improvements only)	440.5	425.6

Distribution centers	429.6	364.9
Other locations	3.7	58.2
Equipment		
Stores	1,691.8	1,609.6
Distribution centers	552.0	499.4
Other locations	575.5	464.9
Capitalized system development costs	101.5	144.1
Capital lease properties	13.1	17.8
	6,362.3	5,917.9
Less: accumulated depreciation and amortization	1,422.3	1,326.5
	$4,940.0	$4,591.4

The company capitalizes application stage development costs for significant internally developed software projects, including "SIMS Plus," an inventory management system, and "Basic Department Management," a marketing system. These costs are amortized over a five-year period. Amortization of these costs was $19.4 million in 2003, $19.5 million in 2002 and $17.3 million in 2001. Unamortized costs as of August 31, 2003 and 2002, were $74.2 million and $73.2 million, respectively.

Revenue Recognition

For all sales other than third party pharmacy sales, the company recognizes revenue at the time of the sale. For third party sales, revenue is recognized at the time the prescription is filled, adjusted by an estimate for those that will be unclaimed by customers. Customer returns are immaterial.

Impaired Assets and Liabilities for Store Closings

The company tests long-lived assets for impairment whenever events or circumstances indicate. Store locations that have been open at least five years are periodically reviewed for impairment indicators. Once identified, the amount of the impairment is computed by comparing the carrying value of the assets to the fair value, which is based on the discounted estimated future cash flows. Included in selling, occupancy and administration expense were impairment charges of $19.5 million in 2003, $8.4 million in 2002, and $9.7 million in 2001.

During the fourth quarter of fiscal 2002, the company implemented SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Since implementation, the present value of expected future lease costs is charged against earnings when the location is closed. Prior to this, the liability was recognized at the time management made the decision to relocate or close the store.

Insurance

The company obtains insurance coverage for catastrophic exposures as well as those risks required by law to be insured. It is the company’s policy to retain a significant portion of certain losses related to worker’s compensation, property losses, business interruptions relating from such losses and comprehensive general, pharmacist and vehicle liability. Provisions for these losses are recorded based upon the company’s estimates for claims incurred. The provisions are estimated in part by considering historical claims experience, demographic factors and other actuarial assumptions.

Pre-Opening Expenses

Non-capital expenditures incurred prior to the opening of a new or remodeled store are charged against earnings as incurred.

Advertising Costs

Advertising costs, which are reduced by the portion funded by vendors, are expensed as incurred. Net advertising expenses, which are included in selling, occupancy and administration expense, were $174.0 million in 2003, $64.5 million in 2002 and $54.1 million in 2001. Contributing to the increase in fiscal 2003 was the adoption in January 2003 of EITF Issue No. 02-16, "Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor," which shifted vendor allowances from advertising expense to cost of sales. This impact resulted in an increase to advertising costs of $75.0 million (.23% of total sales), a reduction to cost of sales of $56.2 million (.17% of total sales), and a reduction to pre-tax earnings and inventory of $18.8 million.

Stock-Based Compensation Plans

In accordance with SFAS No. 123, the company applies Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its plans. Under APB Opinion No. 25, compensation expense is recognized for stock option grants if the exercise price is below the fair value of the underlying stock at the date of grant. The company complies with the disclosure provisions of SFAS No. 123, which requires presentation of pro forma information applying the fair value based method of accounting. Accordingly, no compensation expense has been recognized based on the fair value of its grants under these plans. Had compensation costs been determined consistent with the method of SFAS No. 123 for options granted in fiscal 2003, 2002 and 2001, pro forma net earnings and net earnings per common share would have been as follows (In Millions, except per share data):

		2003	2002	2001
Net earnings		$1,175.7	$1,019.2	$885.6
Add:	Stock-based employee compensation expenses included in reported net income, net of related tax effects	.7	6.9	6.8
Deduct:	Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(57.0)	(67.3)	(59.1)
Pro forma net income		$1,119.4	$ 958.8	$833.3
Earnings per share:				
	Basic – as reported	$ 1.15	$ 1.00	$ .87
	Basic - pro forma	1.09	.94	.82
	Diluted – as reported	1.14	.99	.86
	Diluted - pro forma	1.09	.93	.81

Income Taxes

The company provides for federal and state income taxes on items included in the Consolidated Statements of Earnings regardless of the period when such taxes are payable. Deferred taxes are recognized for temporary differences between financial and income tax reporting based on enacted tax laws and rates.

Earnings Per Share

In fiscal year 2003 and 2002, the diluted earnings per share calculation excluded certain stock options, because the options' exercise price was greater than the average market price of the common shares for the year. If they were included, anti-dilution would have resulted. At August 31, 2003 and August 31, 2002, options to purchase 10,716,109 and 3,186,227 common shares granted at a price ranging from $30.76 to $45.625 and $35.90 to $45.625 per share were excluded from the fiscal year 2003 and 2002 calculations, respectively.

Interest Expense

The company capitalized $1.6 million, $8.5 million and $15.6 million of interest expense as part of significant construction projects during fiscal 2003, 2002 and 2001, respectively. Interest paid, net of amounts capitalized, was $.2 million in 2003, $.3 million in 2002 and $3.4 million in 2001.

Other Income

In fiscal 2003, 2002 and 2001, we received payments of the company's portion of litigation settlements for pre-tax income of $29.6 million ($.018 per share), $6.2 million ($.004 per share) and $22.1 million ($.013 per share), respectively. Payments in fiscal 2003 represent settlements from brand name litigation, pharmaceutical manufacturer antitrust litigation, and vitamin antitrust litigation. The payments in 2002 and 2001 (which are now concluded) were a result of a pharmacy class action against drug manufacturers.

Leases

Although 18% of locations are owned, the remainder are leased premises. Original non-cancelable lease terms typically are 20-25 years and may contain escalation clauses, along with options that permit cancellation. The total amount of the minimum rent is expensed on a straight-line basis over the term of the lease. In addition to minimum fixed rentals, most leases provide for contingent rentals based upon sales.

Minimum rental commitments at August 31, 2003, under all leases having an initial or remaining non-cancelable term of more than one year are shown below (In Millions):

2004	$ 1,187.6
2005	1,219.1
2006	1,188.4
2007	1,148.7
2008	1,081.6
Later	13,490.5
Total minimum lease payments	$19,315.9

The above minimum lease payments include minimum rental commitments related to capital leases of $8.4 million at August 31, 2003. This capital lease amount includes $2.7 million of executory costs and imputed interest. Total minimum lease payments have not been reduced by minimum sublease rentals of approximately $49.0 million on leases due in the future under non-cancelable subleases.

The company remains secondarily liable on 57 assigned leases. The maximum potential of undiscounted future payments is $15.9 million as of August 31, 2003. Lease option dates vary with some extending to 2018. Most of the assignments were a result of the sale of the "Wag's" restaurants in August 1988. The company has recorded liabilities in cases where the assignee has defaulted on its obligations, and such liabilities are not material to the financial statements.

During fiscal 2002, the company entered into two sale-leaseback transactions. The properties were sold at net book value and resulted in proceeds of $302 million. The related leases are accounted for as operating leases.

Rental expense was as follows (In Millions):

	2003	**2002**	**2001**
Minimum rentals	$1,000.4	$873.0	$730.1
Contingent rentals	22.1	23.6	26.2
Less: Sublease rental income	(12.1)	(11.1)	(10.4)
	$1,010.4	$885.5	$745.9

Income Taxes

The provision for income taxes consists of the following (In Millions):

	2003	**2002**	**2001**
Current provision -			
Federal	$574.0	$510.2	$417.1
State	80.1	85.0	73.1
	654.1	595.2	490.2
Deferred provision -			
Federal	48.4	24.0	47.1
State	10.5	(1.1)	(.2)
	58.9	22.9	46.9
	$713.0	$618.1	$537.1

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

	2003	2002
Deferred tax assets -		
Employee benefit plans	$181.3	$106.2
Accrued rent	56.1	56.5
Insurance	108.0	82.7
Inventory	29.1	35.6
Other	44.9	95.3
	419.4	376.3
Deferred tax liabilities -		
Accelerated depreciation	486.2	401.9
Inventory	103.0	98.9
Other	28.3	14.7
	617.5	515.5
Net deferred tax liabilities	$198.1	$139.2

Income taxes paid were $625.2 million, $528.0 million and $432.1 million during the fiscal years ended August 31, 2003, 2002 and 2001, respectively. The difference between the statutory income tax rate and the effective tax rate is principally due to state income tax provisions.

Short-Term Borrowings

The company obtained funds through the placement of commercial paper, as follows (In Millions):

	2003	2002	2001
Average outstanding during the year	-	$ 250.2	$ 304.9
Largest month-end balance	-	689.0	461.2
	-	(Nov)	(Nov)
Weighted-average interest rate	-	2.3%	5.2%

At August 31, 2003, the company had a syndicated bank line of credit facility of $400 million to support the company’s short-term commercial paper program.

Contingencies

The company is involved in various legal proceedings incidental to the normal course of business. Company management is of the opinion, based upon the advice of General Counsel, that although the outcome of such litigation cannot be forecast with certainty, the final disposition should not have a material adverse effect on the company's consolidated financial position or results of operations.

Capital Stock

The company’s common stock is subject to a Rights Agreement under which each share has attached to it a Right to purchase one one-hundredth of a share of a new series of Preferred Stock, at a price of $37.50 per Right. In the event an entity acquires or attempts to acquire 15% of the then outstanding shares, each Right, except those of an acquiring entity, would entitle the holder to purchase a number of shares of common stock pursuant to a formula contained in the Agreement. These non-voting Rights will expire on August 21, 2006, but may be redeemed at a price of $.0025 per Right at any time prior to a public announcement that the above event has occurred.

As of August 31, 2003, 108,783,583 shares of common stock were reserved for future stock issuances under the company’s various employee benefit plans. Preferred stock of 10,249,083 shares has been reserved for issuance upon the exercise of Preferred Share Purchase Rights.

Stock Compensation Plans

The Walgreen Co. Executive Stock Option Plan provides to key employees the granting of options to purchase company common stock over a 10-year period, at a price not less than the fair market value on the date of the grant. Under this Plan, options may be granted until October 9, 2006, for an aggregate of 38,400,000 shares of common stock of the company. Compensation expense related to the plan was less than $1 million in fiscal 2003 and fiscal 2002 and $1.4 million in fiscal 2001. The options granted during fiscal 2003, 2002 and 2001 have a minimum three-year holding period.

The Walgreen Co. Stock Purchase/Option Plan (Share Walgreens) provides for the granting of options to purchase company common stock over a period of 10 years to eligible non-executive employees upon the purchase of company shares subject to certain restrictions. Under the terms of the Plan, the option price cannot be more than 15% lower than the fair market value at the date of grant. Compensation expense related to the Plan was $1.2 million in fiscal 2003, $10.9 million in fiscal 2002 and $9.6 million in fiscal 2001. Options may be granted under this Plan until September 30, 2012, for an aggregate of 42,000,000 shares of common stock of the company. The options granted during fiscal 2003, 2002 and 2001 have a two-year holding period.

The Walgreen Co. Restricted Performance Share Plan provides for the granting of up to 32,000,000 shares of common stock to certain key employees, subject to restrictions as to continuous employment except in the case of death, normal retirement or total and permanent disability. Restrictions generally lapse over a four-year period from the date of grant. Compensation expense is recognized in the year of grant. Compensation expense related to the Plan was $5.5 million in fiscal 2003, $5.4 million in fiscal 2002 and $3.6 million in fiscal 2001. The number of shares granted was 79,869 in 2003, 81,416 in 2002 and 61,136 in 2001.

Under the Walgreen Co. 1982 Employees Stock Purchase Plan, eligible employees may purchase company stock at 90% of the fair market value at the date of purchase. Employees may purchase shares through cash purchases, loans or payroll deductions up to certain limits. The aggregate number of shares for which all participants have the right to purchase under this Plan is 74,000,000.

The Walgreen Co. Option 3000 Plan offers substantially all employees, in conjunction with opening the company’s 3,000 th store, a stock option award to purchase from 75 to 500 shares, based on years of service. The stock option award, issued at fair market value on the date of the grant, represented a total of 14,859,275 shares of Walgreen Co. common stock. The options vest after three years and are exercisable up to 10 years after the grant date, subject to earlier termination of optionee’s employment ends.

The Walgreen Co. Broad Based Employee Stock Option Plan provides for the granting of options to eligible employees to purchase common stock over a 10-year period, at a price not less than the fair market value on the date of the grant, in connection with the achievement of store opening milestones. Options may be granted for an aggregate of 15,000,000 shares of company common stock until all options have either been exercised or have expired. Except as may be otherwise determined by the Compensation Committee, there is a holding period of three years for options granted under this Plan. Under this Plan, on March 11, 2003, substantially all employees, in conjunction with opening the company's 4,000th store, were granted a stock option award to purchase 100 shares. The stock option award, issued at fair market value on the date of the grant, represented a total of 14,532,000 shares of Walgreen Co. common stock. The options vest after three years and are exercisable up to 10 years after the grant date, subject to earlier termination of optionee’s employment ends.

The Walgreen Co. Nonemployee Director Stock Plan provides that each Nonemployee Director receives an equity grant of shares each fiscal year on November 1. The number of shares granted shall be determined by dividing $80,000 by the price of a share of common stock on November 1 of the relevant fiscal year. During the term of the Plan, each Nonemployee Director will also receive fifty percent of his or her quarterly retainer in the form of shares, which may be deferred into an equal number of stock units. In addition, a Nonemployee Director may elect to receive all or a portion of the cash component of his or her quarterly retainer and meeting fees in the form of deferred stock units or to have such amounts placed in a deferred cash compensation account. In fiscal 2003, each Nonemployee Director received a grant of 2,361 shares. In both 2002 and 2001 each Nonemployee Director received a grant of 2,000 shares.

A summary of information relative to the company's stock option plans follows:

	Options Outstanding		Options Exercisable	
	Shares	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**
August 31, 2000	39,377,661	$16.55	19,267,211	$6.45
Granted	5,354,388	36.68		

Exercised	(5,532,895)	5.75		
Canceled/Forfeited	(2,943,030)	28.02		
August 31, 2001	36,256,124	$20.24	14,824,227	$7.40
Granted	2,886,365	34.05		
Exercised	(3,525,955)	7.28		
Canceled/Forfeited	(1,315,499)	30.32		
August 31, 2002	34,301,035	$22.35	13,786,657	$9.71
Granted	17,701,356	28.86		
Exercised	(2,747,055)	8.79		
Canceled/Forfeited	(2,924,991)	28.95		
August 31, 2003	46,330,345	$25.23	26,306,122	$21.57

Net options granted as a percentage of outstanding shares at fiscal year-end were 1.4% in fiscal 2003, 0.2% in fiscal 2002 and 0.2% in fiscal 2001.

The following table summarizes information concerning currently outstanding and exercisable options:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding at 8/31/03**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Number Exercisable at 8/31/03**	**Weighted-Average Exercise Price**
$ 4 to 24	13,329,481	3.38 yrs.	$11.95	13,329,481	$11.95
25 to 30	22,300,397	8.30	28.37	9,704,114	29.17
31 to 46	10,700,467	7.93	35.20	3,272,527	38.21
$ 4 to 46	46,330,345	6.80 yrs.	$25.23	26,306,122	$21.57

The weighted-average fair value and exercise price of options granted for fiscal 2003, 2002 and 2001 were as follows:

	2003	2002	2001
Granted at market price -			
Weighted-average fair value	$10.36	$13.60	$14.28
Weighted-average exercise price	28.80	34.40	32.88
Granted below market price -			
Weighted-average fair value	13.37	11.86	20.78
Weighted-average exercise price	31.48	33.21	38.78

The fair value of each option grant used in the pro forma net earnings and net earnings per share was determined using the Black-Scholes option pricing model with weighted-average assumptions used for grants in fiscal 2003, 2002 and 2001:

	2003	2002	2001
Risk-free interest rate	3.36%	4.56%	6.16%
Average life of option (years)	7	7	7
Volatility	28.04%	27.58%	25.95%
Dividend yield	.29%	.22%	.16%

.

Retirement Benefits

The principal retirement plan for employees is the Walgreen Profit-Sharing Retirement Trust to which both the company and the employees contribute. The company's contribution, which is determined annually at the discretion of the Board of Directors, has historically related to pre-tax income. The profit-sharing provision was $168.0 million in 2003, $145.7 million in 2002 and $126.6 million in 2001.

The company provides certain health and life insurance benefits for retired employees who meet eligibility requirements, including age and years of service. The costs of these benefits are accrued over the period earned. The company's postretirement health and life benefit plans currently are not funded.

Components of net periodic benefit costs (In Millions):

	2003	2002	2001
Service cost	$10.2	$ 6.0	$ 4.8
Interest cost	15.7	10.5	8.7
Amortization of actuarial loss	4.9	1.4	.3
Amortization of prior service cost	(0.4)	(0.4)	-
Total postretirement benefit cost	$30.4	$17.5	$13.8

Change in benefit obligation (In Millions):

	2003	2002
Benefit obligation at September 1	$226.4	$142.7
Service cost	10.2	6.0
Interest cost	15.7	10.5
Actuarial loss	102.9	72.6
Benefit payments	(6.9)	(6.6)
Participants contributions	1.3	1.2
Benefit obligation at August 31	$349.6	$226.4

Change in plan assets (In Millions):

	2003	2002
Plan assets at fair value at September 1	$ -	$ -
Plan participants contributions	1.3	1.2
Employer contributions	5.6	5.4
Benefits paid	(6.9)	(6.6)
Plan assets at fair value at August 31	$ -	$ -

Funded status (In Millions):

	2003	2002
Funded status	$(349.6)	$(226.4)
Unrecognized actuarial loss	197.0	99.1
Unrecognized prior service cost	(6.2)	(6.7)
Accrued benefit cost at August 31	$(158.8)	$(134.0)

The discount rate assumptions used to compute the postretirement benefit obligation at year-end were 6.5% for 2003 and 7.0% for 2002.

Future benefit costs were estimated assuming medical costs would increase at an 8.5% annual rate decreasing to 5.25% over the next six years and then remaining at a 5.25% annual growth rate thereafter. A one percentage point change in the assumed medical cost trend rate would have the following effects (In Millions):

	1% Increase	1% Decrease
Effect on service and interest cost	$ 6.8	$ (5.1)
Effect on postretirement obligation	83.4	(63.4)

Supplementary Financial Information

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

	2003	**2002**
Accounts receivable -		
Accounts receivable	$1,044.9	$974.9
Allowances for doubtful accounts	(27.1)	(20.1)
	$1,017.8	$954.8
Accrued expenses and other liabilities -		
Accrued salaries	$376.4	$323.8
Taxes other than income taxes	213.9	179.9
Profit sharing	166.4	143.3
Other	481.0	370.9
	$1,237.7	$1,017.9

Summary of Quarterly Results (Unaudited)

(Dollars in Millions, except per share data)

		Quarter Ended			
	November 30	**February 28**	**May 31**	**August 31**	**Fiscal Year**
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				
		November 30	February 28	May 31	August 31	Fiscal Year
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

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.

/s/ Deloitte & Touche LLP
Chicago, Illinois
October 6, 2003

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. (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.

/s/ 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.

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

/s/ Roger L. Polark
Senior Vice President and Chief Financial Officer

/s/ William M. Rudolphsen
Controller and Chief Accounting Officer

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**

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

EXHIBIT 21

Subsidiaries of the Registrant

There are no parents of the Registrant, Walgreen Co. (an Illinois corporation). The following 11 subsidiaries are wholly owned by the Registrant, 7 of which are engaged in the operation of retail drug stores, one, Walgreens Healthcare Plus, Inc., in mail order drug operations, one, WHP Health Initiatives, Inc., in pharmacy benefit management, one, Walgreens Home Care, Inc., in retailing of health care maintenance services, and one, Walgreens.com, Inc., operates a retail electronic commerce site.

NAME	STATE, COMMONWEALTH OR COUNTRY OF INCORPORATION
Walgreen Arizona Drug Co.	Arizona

Bond Drug Company of Illinois	Illinois
Walgreens Home Care, Inc.	Illinois
Walgreens Healthcare Plus, Inc.	Illinois
Walgreens.com, Inc.	Illinois
WHP Health Initiatives, Inc.	Illinois
Walgreen Louisiana Co., Inc.	Louisiana
Walgreen Hastings Co.	Nebraska
Walgreen Eastern Co., Inc.	New York
Walgreen of Puerto Rico, Inc.	Puerto Rico
Walgreen of San Patricio, Inc.	Puerto Rico

In addition to the above named subsidiaries, the Registrant wholly owns 5 subsidiaries engaged in service or wholesaling operations, and 13 inactive subsidiaries. There is one inactive subsidiary that is wholly owned by WHP Health Initiatives, Inc. These 18 subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Two legal entities, Walgreen Texas LP and Walgreen Texas LLC, are used exclusively for Texas Franchise tax purposes. Walgreen Texas LP is a partnership that holds beneficial interest in all Walgreen Co. operations in Texas. Walgreen Texas LLC is a limited Liability Corporation and subsidiary of Walgreen Co. that holds a 99% limited liability interest in Walgreen Texas LP. For all other reporting purposes, these subsidiaries are disregarded and the Texas operations are included in the Walgreen Co. financial statements.

All wholly owned subsidiaries are included in the consolidated financial statements.

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 2-79977, 2-79978, 33-49676, 333-104597, 333-106967, and 333-107841 on Form S-8 of Walgreen Co. and subsidiaries (the "Company") of our report dated October 6, 2003, appearing in and incorporated by reference in this Annual Report on Form 10-K of the Company for the year ended August 31, 2003.

/s/Deloitte & Touche LLP
Chicago, IL
November 17, 2003

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David W. Bernauer, certify that:

1. I have reviewed this annual report on Form 10-K of Walgreen Co. for the fiscal year ending August 31, 2003;
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 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)) 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) 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

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter 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 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 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.

			Date
/s/	David W. Bernauer David W. Bernauer	Chairman and Chief Executive Officer	November 17, 2003

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Roger L. Polark, certify that:

1. I have reviewed this annual report on Form 10-K of Walgreen Co. for the fiscal year ending August 31, 2003;
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 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)) 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) 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

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter 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 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 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.

			Date
/s/	Roger L. Polark Roger L. Polark	Senior Vice President and Chief Financial Officer	November 14, 2003

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Walgreen Co., an Illinois corporation (the "Company"), on Form 10-K for the year ending

August 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David W. Bernauer, Chief Executive Officer of the Company, certify, pursuant to 18.U.S.C. Section 1350, as adopted 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.

Dated as of November 17, 2003

/s/ David W. Bernauer
David W. Bernauer
Chief Executive Officer

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

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Walgreen Co., an Illinois corporation (the "Company"), on Form 10-K for the year ending August 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roger L. Polark, Chief Financial Officer of the Company, certify, pursuant to 18.U.S.C. Section 1350, as adopted 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.

Dated as of November 14, 2003

/s/ Roger L. Polark
Roger L. Polark
Chief Financial Officer

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

End of Filing