



Walgreens

Second Quarter 2008 Conference Call

March 24, 2008



Second Quarter 2008 Agenda

- Introduction/ Safe Harbor Rick Hans
Director, Finance
- Prime Therapeutics and Q2 Highlights Jeff Rein
Chairman, CEO
- Financial Results Bill Rudolphsen
CFO
- Health & Wellness, Retail Strategy Greg Wasson
President, COO
- Questions & Answers All



Safe Harbor

- Certain statements and projections of future results made in this presentation constitute forward-looking information that is based on current market, competitive and regulatory expectations that involve risk and uncertainty.
- Please see our Form 10-K for a discussion of factors as they relate to forward-looking statements dated August 31, 2007.



Prime Therapeutics Contract

- Exclusive multi-year specialty pharmacy contract with a PBM owned by 10 Blue Cross Blue Shield plans
- Provides access to any of the 20 million members who have specialty pharmacy needs
- Independence offers Walgreens an advantage



Second Quarter Highlights

- Record sales and earnings
- Disciplined and sustainable SG&A expense controls
- Continued organic growth
- Sales improved as the quarter progressed
- Core product sales insulate us from slowing economy
- Late/weak flu season generates fewer prescriptions
- Balance short-term results with long-term investments



Second Quarter Financials

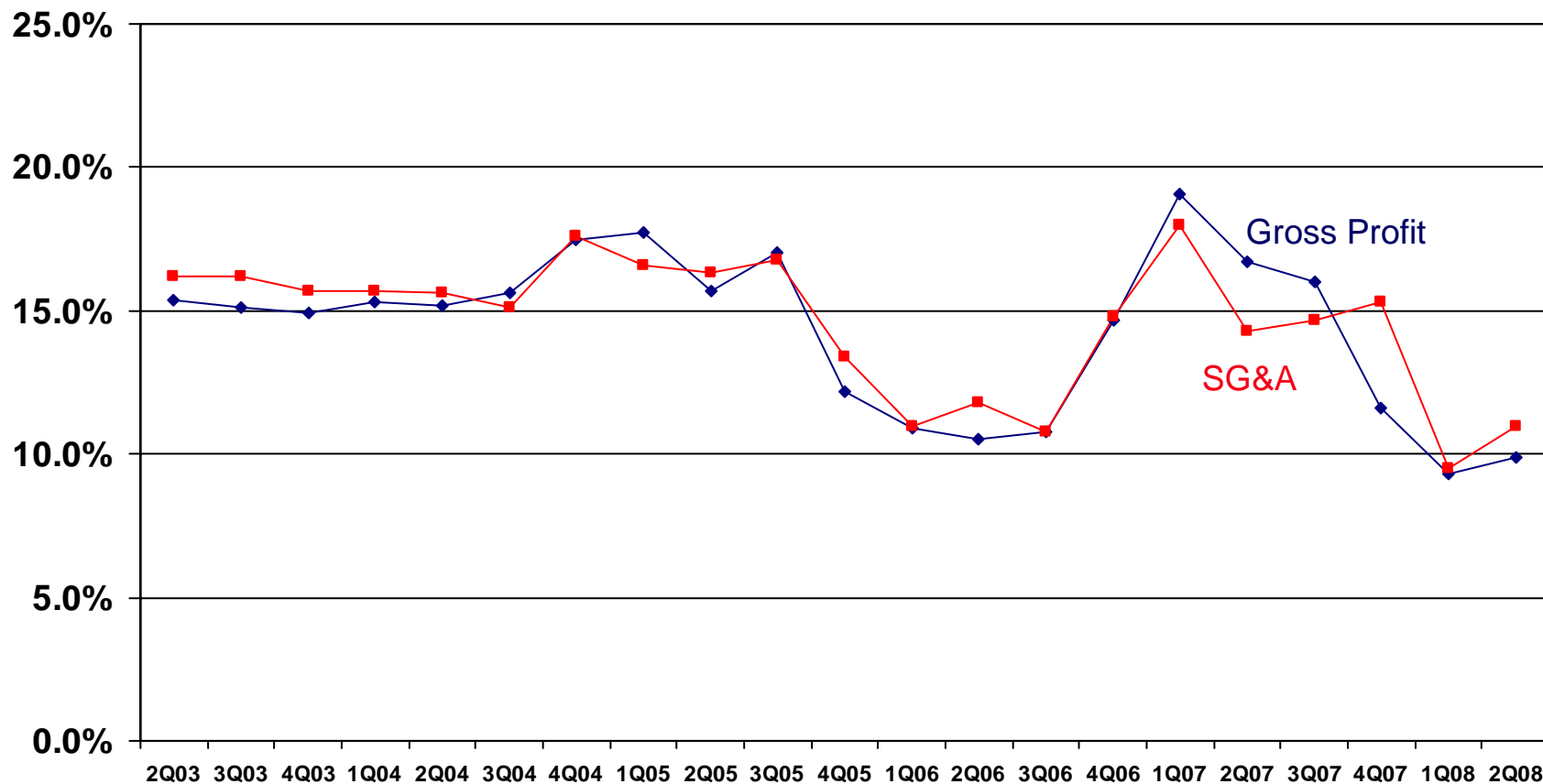
	Percentage Change Three Months Ended		
	Feb 29, 2008	Feb 28, 2007	Feb 28, 2006
Net Sales	10.5%	14.6%	10.7%
Net Earnings	5.2%	24.5%	6.6%
Comparable Drugstore Sales	4.7%	8.9%	6.5%
Comparable Front-End Sales	4.0%	5.7%	5.0%
Prescription Sales	11.1%	16.4%	11.1%
Comparable Prescription Sales	5.2%	10.9%	7.4%
Comparable Prescriptions (Units)	3.6%	6.3%	3.5%

	Percent to Sales Three Months Ended		
	Feb 29, 2008	Feb 28, 2007	Feb 28, 2006
Gross Margin	28.82%	28.96%	28.44%
Selling, General and Administrative Expenses	21.75%	21.64%	21.69%



Slowing Growth of SG&A

Year-Over-Year % Increase



Note: SG&A data adjusted for Hurricane Katrina in the fourth quarter 2005

Source: Company Data



Additional Financial Information

- LIFO rate remained the same as Q1; Q2 2007 provision was \$13.4 million versus \$30.6 million this year
- Sustained and disciplined management of payroll and discretionary spending slowed growth in SG&A expense
- Tax rate of 36.8% for Q2; 37.0% anticipated for fiscal year
- Total short-term debt \$728 million, new acquisitions to be funded with commercial paper and short-term debt



Looking Forward

- Option Care on track
- Continue to target at least 15% ROIC
- Planning store growth of about 8% per year in square footage
- Strong financial position gives us flexibility

Walgreens Health & Wellness



- Natural extension of Walgreens health care strategy
- Includes more than 500 health centers and in-store Take Care Health Clinics
- With retail pharmacies, Walgreens will have nearly 7,000 points of care
- The market: 7,600 corporate campuses of 1,000 employees or more + families and retirees

Platform of Services Will Expand Sales



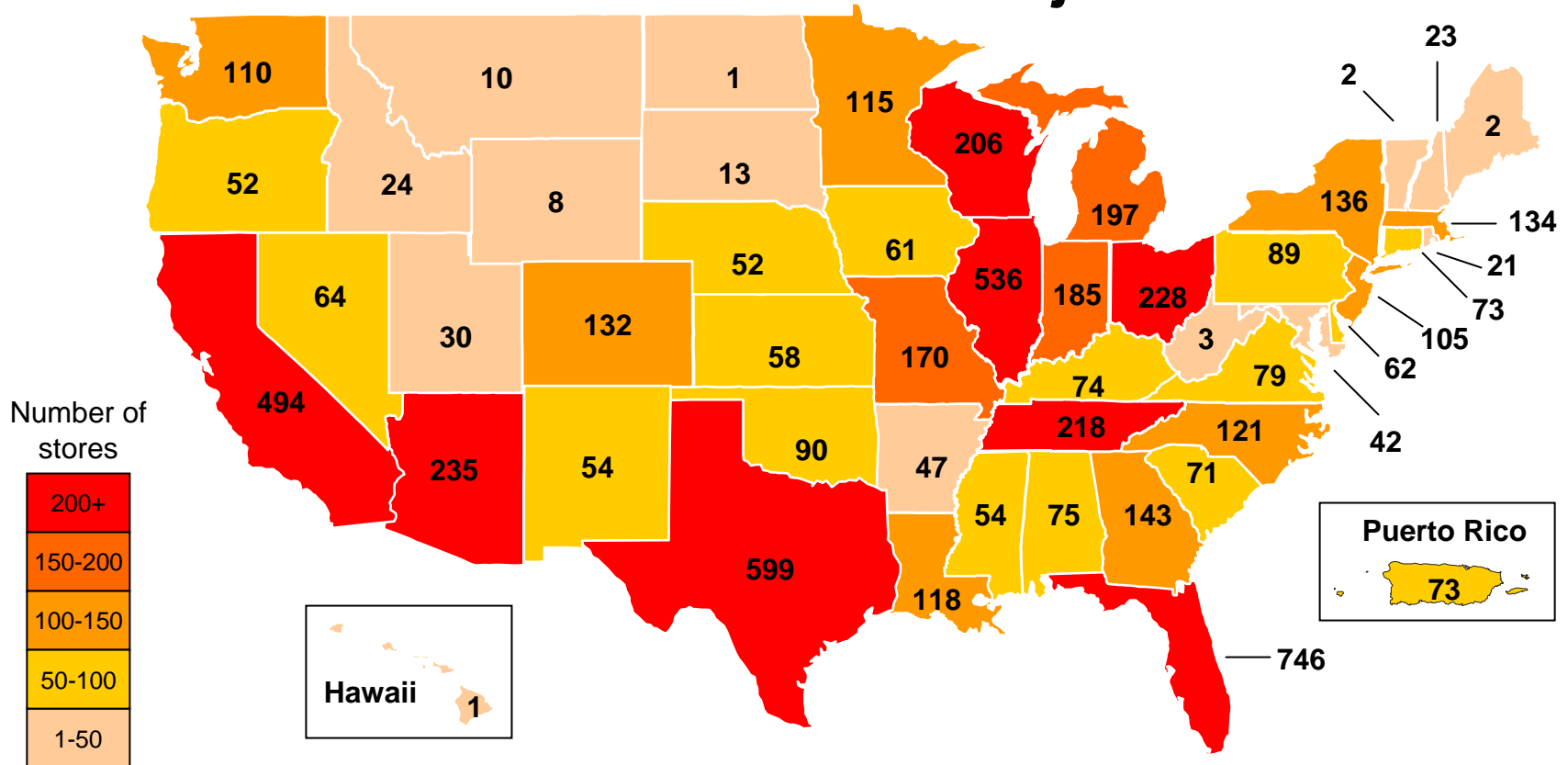
- Pharmacy services
- Specialty pharmacy products and services
- Home care services
- Wellness programs, disease management and occupational health services

Walgreens will help employers reduce costs and improve the quality of health care for their employees, dependents and retirees

Growth on Track: 6,237 Retail Locations



#1 in Market Share in 121 Major Markets



- Opened 290 new stores in the first six months
- Acquired pharmacy files of 70 pharmacies, including 27 Rite Aid stores, in Q2



Questions & Answers



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Appendix



Acquisitions Helping Drive Growth

2008:

- I-Trax (CHD Meridian and ProFitness Solutions) – worksite health centers
- Whole Health Management – worksite health centers

2007:

- Option Care, specialty pharmacy and home infusion services provider
- Take Care Health Systems, a convenient care clinic provider
- Familymeds Group (selected assets)
- Senior Med (primarily prescription files)

2006:

- Medmark Specialty Pharmacy
- Canadian Valley Medical Solutions (home care services)
- Happy Harry's

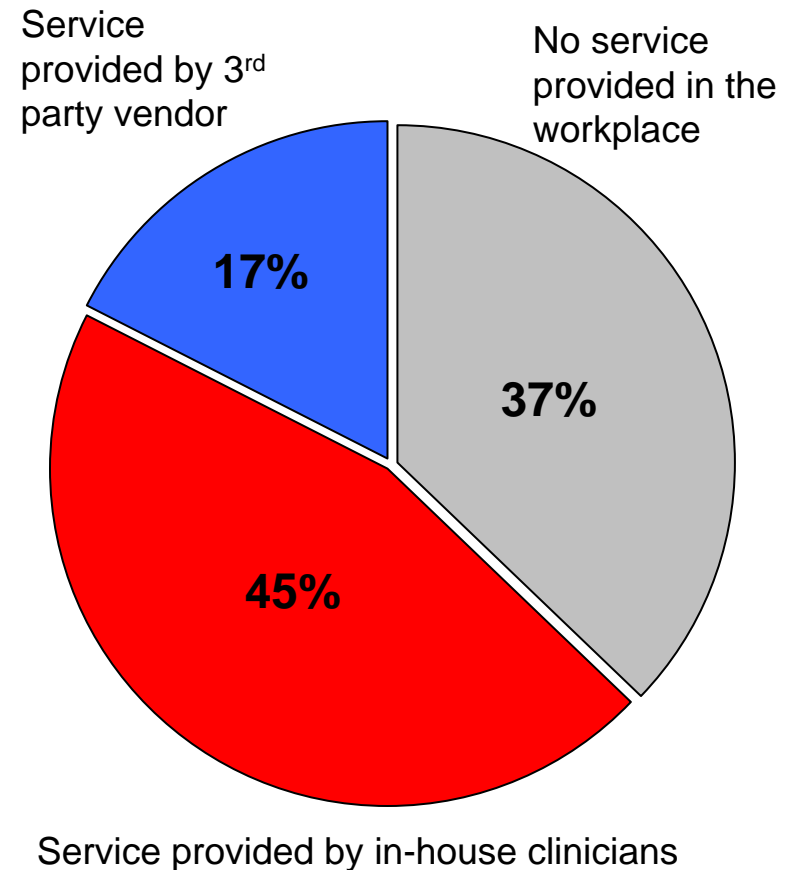
2005:

- Schraft's Specialty Pharmacy
- Home Pharmacy of CA
- Selected assets from the 23-store Medic drugstore chain



Worksite Market Opportunity

- Walgreens Health & Wellness: more than 500 worksite health centers and in-store clinics, growing to 750 by year end
- Potential Market: 7,600 corporate campuses of 1,000 employees or more



Market: 7,600 corporate campuses



Calculation of Adjusted SG&A

(\$s in millions)	<u>4Q04</u>	<u>4Q05</u>	<u>4Q06</u>
SGA\$ under GAAP	\$ 2,102.1	\$ 2,434.9	\$ 2,732.4
Less: Katrina Expense	<u>\$ -</u>	<u>\$ 54.7</u>	<u>\$ -</u>
Adjusted SGA\$	\$ 2,102.1	\$ 2,380.2	\$ 2,732.4
Adjusted YOY % Increase		13.2%	14.8%



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