



Stock Selection Guide[®]

The most widely used aid to good investment judgment

Company	WALGREEN COMPANY		Date	11/06/06	
Prepared by	MG		Data taken from	NAIC Data	
Where traded	NYSE		Major product/service	Drug Retail	
CAPITALIZATION --- Outstanding Amounts			Reference		
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	1,007.2	0.7	62.5		
Debt (\$M)	0.0	% to Tot.Cap.	0.0	% Potential Dil.	None

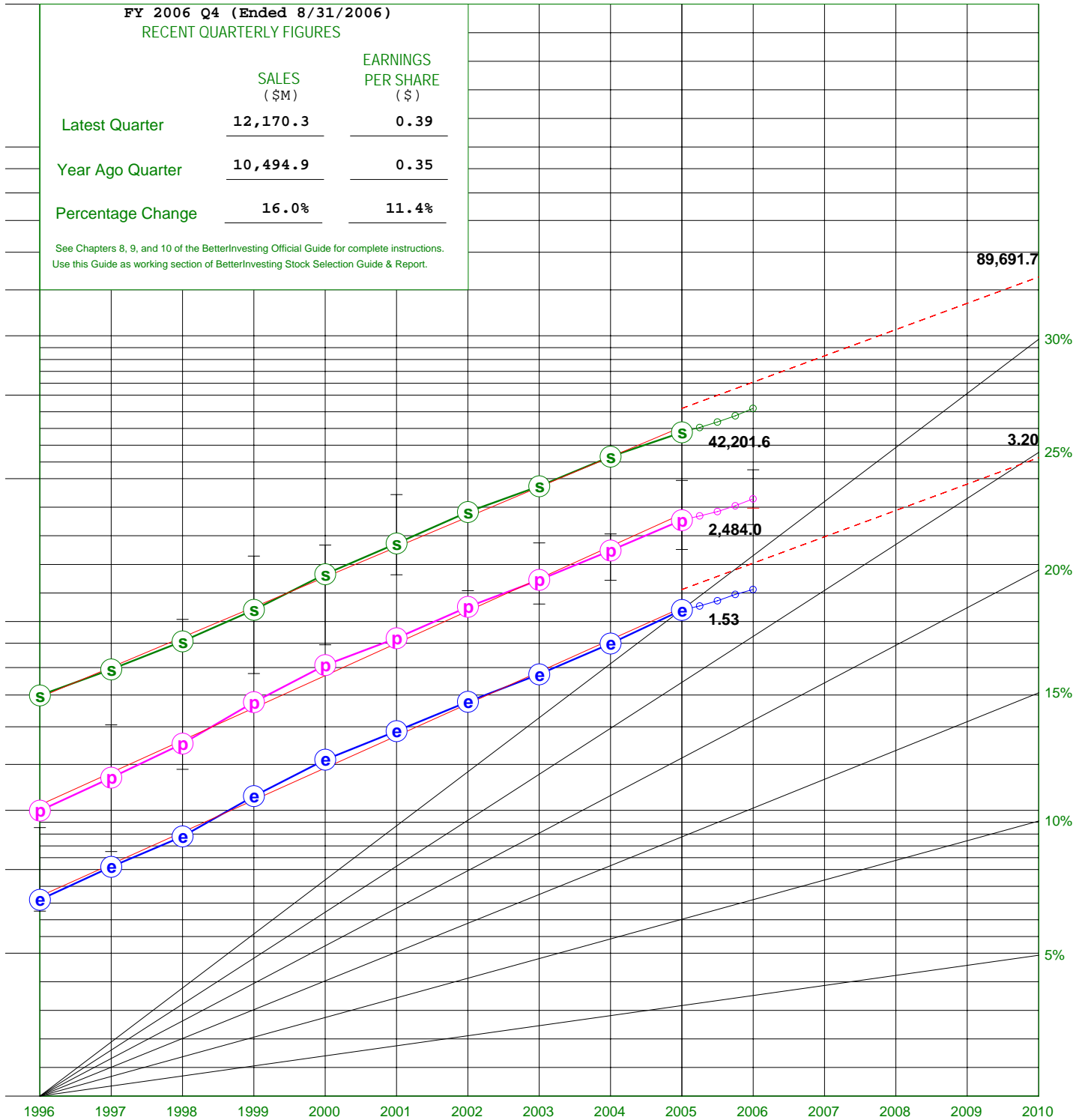
1 VISUAL ANALYSIS of Sales, Earnings and Price

WAG

FY 2006 Q4 (Ended 8/31/2006)
RECENT QUARTERLY FIGURES

	SALES (\$M)	EARNINGS PER SHARE (\$)
Latest Quarter	12,170.3	0.39
Year Ago Quarter	10,494.9	0.35
Percentage Change	16.0%	11.4%

See Chapters 8, 9, and 10 of the BetterInvesting Official Guide for complete instructions. Use this Guide as working section of BetterInvesting Stock Selection Guide & Report.



- | | | | |
|-----------------------------------|--------|--|--------|
| (1) Historical Sales Growth | 15.7 % | (3) Historical Earnings Per Share Growth | 16.8 % |
| (2) Estimated Future Sales Growth | 13.6 % | (4) Estimated Future Earnings Per Share Growth | 13.6 % |

2 EVALUATING MANAGEMENT

Company **WALGREEN COMPANY** (WAG)

11/06/06

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	5.2	5.3	5.5	5.8	5.8	5.7	5.7	5.7	5.7	5.9	5.7	EVEN	
B % Earned on Equity (E/S ÷ Book Value)	18.1	18.3	17.8	17.9	17.7	16.6	16.1	16.0	16.3	17.4	16.5	UP	

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

PRESENT PRICE **42.820** HIGH THIS YEAR **51.600** LOW THIS YEAR **39.550**

Year	PRICE		C Earnings Per Share	D Price Earnings Ratio		F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100
	HIGH	LOW		HIGH A ÷ C	LOW B ÷ C			
1 2001	45.8	31.0	0.85	53.9	36.5	0.140	16.5	0.5
2 2002	40.7	28.7	0.98	41.5	29.3	0.145	14.8	0.5
3 2003	36.2	26.9	1.12	32.3	24.0	0.156	13.9	0.6
4 2004	37.8	30.2	1.30	29.1	23.2	0.182	14.0	0.6
5 2005	49.0	35.1	1.53	32.0	22.9	0.223	14.6	0.6
6 TOTAL		151.9		93.4	70.1		73.8	
7 AVERAGE		30.4		31.1	23.4		14.8	
8 AVERAGE PRICE EARNINGS RATIO	27.3			9 CURRENT PRICE EARNINGS RATIO		25.3		

4 Proj. P/E [22.30] Based on Next 4 qtr. EPS [1.92] Current P/E Based on Last 4 qtr. EPS [1.69] EVALUATING RISK and REWARD over the next 5 years PEG=164

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E **31.1** X Estimate High Earnings/Share **3.20** = Forecast High Price \$ **99.5**
(3D7 as adj.) (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E **23.4** X Estimated Low Earnings/Share **1.53** = \$ **39.5**
(3E7 as adj.)
(b) Avg. Low Price of Last 5 Years = **30.4**
(3B7)
(c) Recent Severe Market Low Price = **30.2**

(d) Price Dividend Will Support $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{0.310}{0.006} = 48.8$
Selected Estimate Low Price = **30.4**
(4B1)

C ZONING

99.5 High Forecast Price Minus **30.4** Low Forecast Price Equals **69.1** Range. 1/3 of Range = **17.3**
(4A1) (4B1) (C) (4CD)
(4C2) Lower 1/3 = **30.4** to **47.7** (Buy) Note: Ranges changed to 25%/50%/25%
(4C3) Middle 1/3 = **47.7** to **82.2** (Maybe)
(4C4) Upper 1/3 = **82.2** to **99.5** (4A1) (Sell)

Present Market Price of **42.820** is in the **Buy** Range
(4C5)

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) **99.5** Minus Present Price **42.820**
Present Price **42.820** Minus Low Price (4B1) **30.4** = $\frac{56.7}{12.4} = 4.6$ To 1
(4D)

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) **99.5**
Present Market Price **42.820** = $(2.324) \times 100 = (232.4) - 100 = 132.4$ % Appreciation
(4E)

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

A Present Full Year's Dividend \$ 0.310
Present Price of Stock \$ **42.820** = $\frac{0.007}{1} \times 100 = 0.7$ Present Yield or % Returned on Purchase Price
(5A)

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years **2.48** X Avg. % Payout (3G7) **14.8** = **36.7** = **0.9** %
(5B)

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 132.4				P.A.R.	Tot. Ret.
$\frac{132.4}{5}$	26.5 %	Average Yield	0.5%	0.5%	
Average Yield (5B) 0.9 %		Annual Appreciation	15.3%	18.4%	
Average Total Annual Return Over the Next 5 Years (5C) 27.4 %		% Compd Ann Rate of Ret	15.8%	18.8%	



PERT Worksheet-A

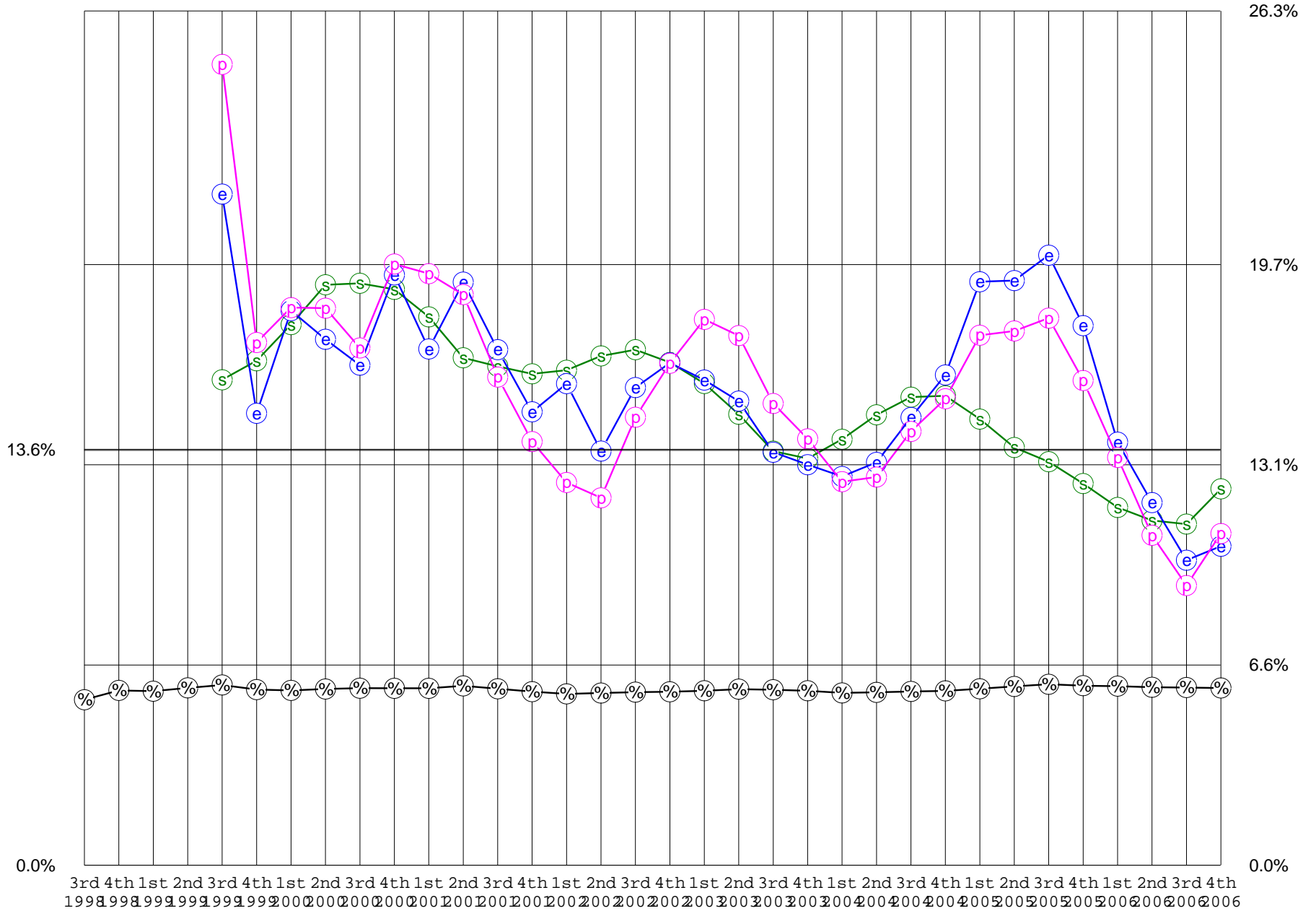
Company WALGREEN COMPANY (WAG)

QUARTERLY DATA									LAST 12 MONTHS DATA								
PERIOD	EPS		PRE-TAX PROFIT			SALES		INCOME TAX RATE	EPS \$	PRE-TAX PROFIT		SALES MIL	INCOME TAX		% CHANGE		
	\$	% CHANGE	\$ MIL	% SALES	% CHANGE	\$ MIL	% CHANGE			\$ MIL	% SALES		\$ MIL	% RATE	EPS	PRE-TAX PROFIT	SALES
11/97	0.09		143.20	4.1		3,485.20		38.8						38.8			
02/98	0.17		279.00	6.8		4,093.40		38.7						38.8			
05/98	0.13		206.50	5.3		3,887.50		38.3	0.50	801.00	5.4	14,769.2	309.6	38.7			
08/98	0.15	36.4	248.30	6.5	44.1	3,840.90	16.3	39.2	0.54	877.00	5.7	15,307.0	339.8	38.8			
11/98	0.10	11.1	169.80	4.2	18.6	4,016.40	15.2	38.8	0.55	903.60	5.7	15,838.2	350.1	38.8			
02/99	0.20	17.6	331.00	7.1	18.6	4,691.00	14.6	39.5	0.58	955.60	5.8	16,435.8	372.2	39.0			
05/99	0.16	23.1	262.20	5.7	27.0	4,571.40	17.6	39.2	0.61	1,011.30	5.9	17,119.7	396.2	39.2	22.0	26.3	15.9
08/99	0.16	6.7	264.30	5.8	6.4	4,560.00	18.7	39.2	0.62	1,027.30	5.8	17,838.8	402.4	39.2	14.8	17.1	16.5
11/99	0.13	30.0	211.30	4.4	24.4	4,823.20	20.1	39.5	0.65	1,068.80	5.7	18,645.6	420.6	39.4	18.2	18.3	17.7
02/00	0.23	15.0	392.30	7.0	18.5	5,608.80	19.6	40.2	0.68	1,130.10	5.8	19,563.4	446.8	39.5	17.2	18.3	19.0
05/00	0.19	18.8	314.90	5.8	20.1	5,394.10	18.0	38.4	0.71	1,182.80	5.8	20,386.1	465.4	39.3	16.4	17.0	19.1
08/00	0.19	18.8	311.30	5.8	17.8	5,380.80	18.0	37.6	0.74	1,229.80	5.8	21,206.9	478.9	38.9	19.4	19.7	18.9
11/00	0.15	15.4	257.60	4.6	21.9	5,614.20	16.4	40.2	0.76	1,276.10	5.8	21,997.9	499.3	39.1	16.9	19.4	18.0
02/01	0.28	21.7	457.70	7.1	16.7	6,429.00	14.6	37.0	0.81	1,341.50	5.9	22,818.1	514.2	38.3	19.1	18.7	16.6
05/01	0.21	10.5	345.50	5.5	9.7	6,296.20	16.7	37.3	0.83	1,372.10	5.8	23,720.2	522.1	38.1	16.9	16.0	16.4
08/01	0.21	10.5	339.80	5.4	9.2	6,283.60	16.8	36.3	0.85	1,400.60	5.7	24,623.0	528.5	37.7	14.9	13.9	16.1
11/01	0.18	20.0	293.20	4.5	13.8	6,559.40	16.8	36.8	0.88	1,436.20	5.6	25,568.2	529.5	36.9	15.8	12.5	16.2
02/02	0.32	14.3	524.60	7.0	14.6	7,488.50	16.5	37.1	0.92	1,503.10	5.6	26,627.7	554.3	36.9	13.6	12.0	16.7
05/02	0.25	19.0	416.00	5.6	20.4	7,397.90	17.5	37.9	0.96	1,573.60	5.7	27,729.4	582.4	37.0	15.7	14.7	16.9
08/02	0.24	14.3	397.30	5.5	16.9	7,235.30	15.1	37.6	0.99	1,631.10	5.7	28,681.1	608.6	37.3	16.5	16.5	16.5
11/02	0.21	16.7	355.30	4.7	21.2	7,484.90	14.1	39.0	1.02	1,693.20	5.7	29,606.6	641.2	37.9	15.9	17.9	15.8
02/03	0.36	12.5	595.50	7.1	13.5	8,446.10	12.8	37.7	1.06	1,764.10	5.8	30,564.2	670.7	38.0	15.2	17.4	14.8
05/03	0.28	12.0	463.70	5.6	11.5	8,328.00	12.6	37.7	1.09	1,811.80	5.8	31,494.3	688.2	38.0	13.5	15.1	13.6
08/03	0.27	12.5	444.60	5.4	11.9	8,246.40	14.0	37.3	1.12	1,859.10	5.7	32,505.4	705.2	37.9	13.1	14.0	13.3
11/03	0.24	14.3	402.30	4.6	13.2	8,720.80	16.5	38.4	1.15	1,906.10	5.6	33,741.3	720.4	37.8	12.7	12.6	14.0
02/04	0.41	13.9	678.00	6.9	13.9	9,782.20	15.8	37.6	1.20	1,988.60	5.7	35,077.4	751.1	37.8	13.2	12.7	14.8
05/04	0.33	17.9	544.60	5.7	17.4	9,578.50	15.0	37.6	1.25	2,069.50	5.7	36,327.9	780.8	37.7	14.7	14.2	15.3
08/04	0.32	18.5	518.50	5.5	16.6	9,426.70	14.3	36.4	1.30	2,143.40	5.7	37,508.2	803.4	37.5	16.1	15.3	15.4
11/04	0.31	29.2	496.20	5.0	23.3	9,889.10	13.4	35.7	1.37	2,237.30	5.8	38,676.5	823.3	36.8	19.1	17.4	14.6
02/05	0.47	14.6	777.60	7.1	14.7	10,987.00	12.3	37.8	1.43	2,336.90	5.9	39,881.3	861.2	36.9	19.2	17.5	13.7
05/05	0.40	21.2	648.40	6.0	19.1	10,830.60	13.1	36.5	1.50	2,440.70	5.9	41,133.4	893.0	36.6	20.0	17.9	13.2
08/05	0.35	9.4	561.80	5.4	8.4	10,494.90	11.3	36.1	1.53	2,484.00	5.9	42,201.6	907.4	36.5	17.7	15.9	12.5
11/05	0.34	9.7	548.60	5.0	10.6	10,900.40	10.2	36.6	1.56	2,536.40	5.9	43,212.9	932.6	36.8	13.9	13.4	11.7
02/06	0.51	8.5	830.90	6.8	6.9	12,163.10	10.7	37.4	1.60	2,589.70	5.8	44,389.0	949.8	36.7	11.9	10.8	11.3
05/06	0.45	12.5	723.20	5.9	11.5	12,175.20	12.4	36.7	1.65	2,664.50	5.8	45,733.6	978.2	36.7	10.0	9.2	11.2
08/06	0.39	11.4	651.40	5.4	15.9	12,170.30	16.0	39.1	1.69	2,754.10	5.8	47,409.0	1,031.6	37.5	10.5	10.9	12.3

A B C D E F G H I J K L M N O P Q R S T

PERT Worksheet-A Graph

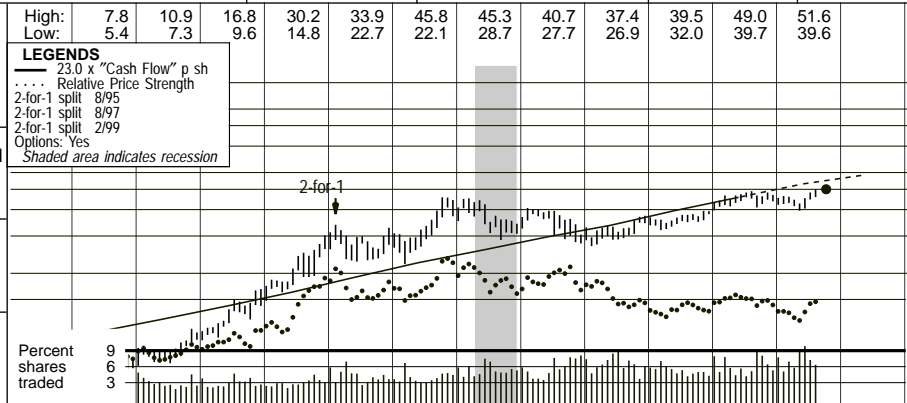
Company WALGREEN COMPANY (WAG)



WALGREEN CO. NYSE-WAG

RECENT PRICE **49.95** P/E RATIO **27.0** (Trailing: 30.1 Median: 32.0) RELATIVE P/E RATIO **1.53** DIV'D YLD **0.6%** **VALUE LINE**

TIMELINESS 1 Raised 8/25/06
SAFETY 1 Raised 4/5/02
TECHNICAL 3 Lowered 8/25/06
BETA .80 (1.00 = Market)



High:	7.8	10.9	16.8	30.2	33.9	45.8	45.3	40.7	37.4	39.5	49.0	51.6	Target Price Range		
Low:	5.4	7.3	9.6	14.8	22.7	22.1	28.7	27.7	26.9	32.0	39.7	39.6	2009	2010	2011
													160		
													120		
													100		
													80		
													60		
													50		
													40		
													30		
													20		
													15		

2009-11 PROJECTIONS
 Ann'l Total
 Price Gain Return
 High 100 (+100%) 19%
 Low 80 (+60%) 13%

Insider Decisions
 N D J F M A M J J
 to Buy 0 0 0 0 0 0 1 0 0
 Options 4 0 0 1 0 2 5 2 6
 to Sell 6 0 0 1 0 2 4 2 7

Institutional Decisions
 4Q2005 1Q2006 2Q2006
 to Buy 402 343 347
 to Sell 393 459 463
 Hlds*(000) 643641 636897 642426

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	% TOT. RETURN 8/06
6.14	6.84	7.59	8.42	9.38	10.56	11.96	13.53	15.36	17.77	20.98	24.15	27.98	31.72	36.65	41.16	47.05	52.60	1 yr. 7.4
.25	.28	.32	.36	.41	.46	.53	.61	.71	.83	.98	1.12	1.29	1.47	1.72	1.99	2.30	2.55	3 yr. 56.2
.18	.20	.22	.25	.29	.33	.38	.44	.51	.62	.74	.85	.98	1.12	1.32	1.52	1.72	2.00	5 yr. 49.4
.05	.06	.07	.08	.09	.10	.11	.12	.13	.13	.14	.14	.15	.16	.18	.22	.27	.31	VL ARITH. INDEX
.96	1.10	1.25	1.40	1.60	1.82	2.08	2.40	2.86	3.47	4.19	5.11	6.08	7.02	8.04	8.67	9.45	11.10	7.1
984.38	984.56	984.56	984.56	984.56	984.56	984.56	987.58	996.49	1004.0	1010.8	1019.4	1024.9	1024.9	1023.3	1025.4	1007.0	1005.0	7.1
15.8	18.5	19.5	20.2	17.4	17.6	21.0	25.2	34.3	43.3	38.1	46.4	36.8	27.7	26.3	27.9	Bold figures are Value Line estimates		7.1
1.17	1.18	1.18	1.19	1.14	1.18	1.32	1.45	1.78	2.47	2.48	2.38	2.01	1.58	1.39	1.46			49.4
1.8%	1.6%	1.5%	1.5%	1.7%	1.7%	1.4%	1.1%	.7%	.5%	.5%	.4%	.4%	.5%	.5%	.5%			70.4

CAPITAL STRUCTURE as of 5/31/06
Total Debt None
Lses., Uncapitalized Annual rentals \$1187.6 mill.
No Defined Benefit Pension Plan
Pfd Stock None
Common Stock 1,008,005,837 shares as of 6/30/06
MARKET CAP: \$50.3 billion (Large Cap)

CURRENT POSITION (SMILL.)	2003	2004	5/31/06
Cash Assets	1017.1	1695.5	1803.2
Receivables	1017.8	1169.1	2041.5
Inventory (LIFO)	4202.7	4738.6	5543.7
Other	120.5	161.2	162.0
Current Assets	6358.1	7764.4	9550.4
Accts Payable	2077.0	2641.5	3731.0
Debt Due	-	-	-
Other	1343.5	1436.4	1672.1
Current Liab.	3420.5	4077.9	5403.1

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05
Sales	14.5%	15.0%	13.5%
"Cash Flow"	15.5%	15.5%	15.5%
Earnings	16.5%	16.0%	17.0%
Dividends	8.0%	7.5%	14.5%
Book Value	17.5%	17.5%	15.0%

Fiscal Year Ends	Nov.30	Feb.28	May 31	Aug.31	Full Fiscal Year
2003	7484	8446	8328	8246	32505
2004	8720	9782	9578	9426	37508
2005	9889	10987	10831	10494	42201
2006	10900	12163	12175	12152	47390
2007	12350	13650	13550	13300	52850

Fiscal Year Ends	Nov.30	Feb.28	May 31	Aug.31	Full Fiscal Year
2003	.21	.36	.28	.27	1.12
2004	.25	.42	.33	.32	1.32
2005	.31	.47	.40	.35	1.53
2006	.34	.51	.46	.41	1.72
2007	.39	.59	.54	.48	2.00

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.036	.036	.036	.038	.15
2003	.038	.038	.043	.043	.16
2004	.043	.043	.052	.052	.19
2005	.052	.052	.065	.065	.23
2006	.065	.065	.0775		

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
6.14	6.84	7.59	8.42	9.38	10.56	11.96	13.53	15.36	17.77	20.98	24.15	27.98	31.72	36.65	41.16	47.05	52.60	Sales per sh ^A	78.50
.25	.28	.32	.36	.41	.46	.53	.61	.71	.83	.98	1.12	1.29	1.47	1.72	1.99	2.30	2.55	"Cash Flow" per sh	4.05
.18	.20	.22	.25	.29	.33	.38	.44	.51	.62	.74	.85	.98	1.12	1.32	1.52	1.72	2.00	Earnings per sh ^{AB}	3.35
.05	.06	.07	.08	.09	.10	.11	.12	.13	.13	.14	.14	.15	.16	.18	.22	.27	.31	Div'ds Decl'd per sh ^C	.42
.96	1.10	1.25	1.40	1.60	1.82	2.08	2.40	2.86	3.47	4.19	5.11	6.08	7.02	8.04	8.67	9.45	11.10	Book Value per sh	18.25
984.38	984.56	984.56	984.56	984.56	984.56	984.56	987.58	996.49	1004.0	1010.8	1019.4	1024.9	1024.9	1023.3	1025.4	1007.0	1005.0	Common Shs Outst'g ^D	1000.0
15.8	18.5	19.5	20.2	17.4	17.6	21.0	25.2	34.3	43.3	38.1	46.4	36.8	27.7	26.3	27.9	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	26.5
1.17	1.18	1.18	1.19	1.14	1.18	1.32	1.45	1.78	2.47	2.48	2.38	2.01	1.58	1.39	1.46			Relative P/E Ratio	1.75
1.8%	1.6%	1.5%	1.5%	1.7%	1.7%	1.4%	1.1%	.7%	.5%	.5%	.4%	.4%	.5%	.5%	.5%			Avg Ann'l Div'd Yield	.5%

11778	13363	15307	17839	21207	24623	28681	32505	37508	42202	47390	52850	Sales (\$mill) ^A	78500
29.0%	28.8%	28.5%	28.4%	28.2%	27.6%	27.6%	28.1%	28.3%	29.1%	29.0%	29.0%	"Cash Flow" per sh	29.5%
6.4%	6.5%	6.7%	6.9%	6.9%	6.8%	6.7%	6.8%	6.8%	6.9%	7.0%	7.0%	Operating Margin	8.0%
2193	2358	2549	2821	3165	3520	3880	4227	4579	4953	5420	5800	Number of Stores	7150
371.8	436.5	514.0	624.1	756.4	872.0	1015.3	1157.3	1360.2	1559.5	1740	2015	Net Profit (\$mill)	3375
38.8%	38.8%	38.8%	39.2%	38.5%	37.7%	37.8%	37.7%	37.5%	36.5%	37.0%	37.0%	Income Tax Rate	38.5%
3.2%	3.3%	3.4%	3.5%	3.6%	3.5%	3.5%	3.6%	3.6%	3.7%	3.7%	3.8%	Net Profit Margin	4.3%
837.0	887.0	1043.0	1297.9	1246.4	1382.3	2211.3	2937.6	3686.5	3835.5	3825	4600	Working Cap'l (\$mill)	9000
10.1	5.5	6.0	--	--	--	--	--	--	--	Nil	Nil	Long-Term Debt (\$mill)	Nil
2043.1	2373.3	2849.0	3484.3	4234.0	5207.2	6230.2	7195.7	8228.0	8889.7	9530	11135	Shr. Equity (\$mill)	18250
18.1%	18.4%	18.0%	17.9%	17.9%	16.7%	16.3%	16.1%	16.5%	17.5%	18.5%	18.0%	Return on Total Cap'l	18.5%
18.2%	18.4%	18.0%	17.9%	17.9%	16.7%	16.3%	16.1%	16.5%	17.5%	18.5%	18.0%	Return on Shr. Equity	18.5%
13.0%	13.5%	13.7%	14.2%	14.7%	14.0%	13.9%	14.0%	14.4%	15.1%	15.5%	15.0%	Retained to Com Eq	16.0%
28%	27%	24%	21%	18%	16%	14%	13%	13%	14%	16%	15%	All Div'ds to Net Prof	12%

BUSINESS: Walgreen Company is the nation's largest drugstore operator (by sales). At 2/28/06, operated 5,156 drugstores in 45 states and Puerto Rico, including 37 home care facilities and 7 mail service facilities. Largest sales contributors by state: Florida, Illinois, and Texas. In '05, pharmacy contributed 64% of sales (3rd party, 93% of Rx); Other general merchandise, 25%; nonprescription

Walgreen remains a picture of good health. The nation's largest drug store retailer, in terms of sales, posted earnings of \$0.46 a share in its fiscal third quarter (ended May 31st), 15% better than the year before. We suspect that the company maintained its bottom-line momentum and closed out the fiscal year in similar fashion. August marked the fourth consecutive month of posting double-digit pharmacy sales comparison growth. Pharmacy volume will likely continue to benefit from a ramp-up in Medicare Part D prescriptions, while margins might well prosper from an increase in generic drugs. We've raised our fourth-quarter earnings estimate by a penny to \$0.41 a share and our fiscal 2007 figure by a nickel, to \$2.00. Our 2007 estimate would have been higher if not for the loss of United Health's Medicare Part D offering by the company's pharmacy benefits management unit.

Walgreen has completed its purchase of Happy Harry's pharmaceutical chain. In doing so, it has acquired 76 stores in Maryland, Pennsylvania, New Jersey, and Delaware. Aside from the eight Pennsylvania stores, WAG will leave the name and stores of the new units untouched. The purchase gives the company some traction in the Northeast. (It previously had no presence in Delaware.) This is especially important, given the pending deal Rite Aid has on the table to purchase 1,858 Eckerd and Brooks drugstores, located primarily on the East Coast. (See our report elsewhere in this Issue for further details.) Although we suspect that larger purchases are probably not in the cards, we would not be surprised to see Walgreen pursue a small bolt-on acquisition in the months ahead.

We highly recommend these shares. Walgreen is a leader in a rapidly growing industry and ought to continue delivering solid and steady earnings growth out to late decade. Although the stock has appreciated 14% since our June review, it still holds above-average 3- to 5-year appreciation potential based on our projections. Meanwhile, the company recently increased its dividend by 19%, showcasing some of its financial strength. Walgreen stock now garners our Highest rank (1) for Timeliness and Safety.

Andre J. Costanza September 29, 2006

(A) Fiscal year ends August 31st. (B) Based on average shares through fiscal '97, then diluted. Excludes nonrecurring gains (losses): '93, (3¢); '00, 2¢; '01, 1¢; '02, 1¢; '03, 2¢; '04, 1¢. Excludes extraordinary charge for accounting change: '98, 3¢. Next earnings report due early Oct. (C) Dividends historically paid in March, June, September, and December. (D) Direct stock purchase plan avail. (includes dividend reinvest.). (E) In millions, adjusted for splits.

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Company's Financial Strength	A++
Stock's Price Stability	90
Price Growth Persistence	75
Earnings Predictability	100