

**The Merriam Report** **WAG** 5/31/10 **WALGREEN CO**

All amounts in millions except for earnings per share

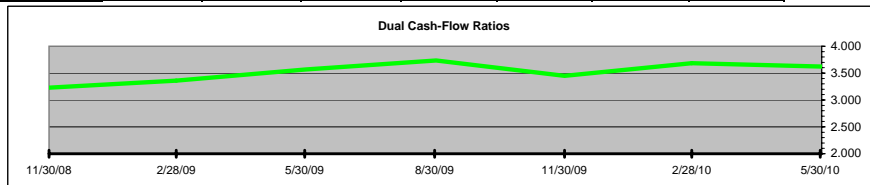
Quarterly period ending:	1 11/30/08	2 2/28/09	3 5/31/09	4 8/31/09	1 11/30/09	2 2/28/10	3 5/31/10	Averages
Earnings Per Share (Incl. Ext. Items)	\$ 0.410	\$ 0.650	\$ 0.530	\$ 0.440	\$ 0.49000	\$ 0.680	\$ 0.470	\$ 0.524
% Change in E.P.S. (from prev. qtr.)		58.5%	-18.5%	-17.0%	11.4%	38.8%	-30.9%	7.1%
Total Revenues	1494700.0	1647500.0	1621000.0	1570300.0	1636400.0	1698700.0	1719900.0	1626928.6
% Change in Revenues (from prev. qtr.)		10.2%	-1.6%	-3.1%	4.2%	3.8%	1.2%	2.5%
Cost of Revenues	1079600.0	1181800.0	11751000.0	11357000.0	11826000.0	12090000.0	12450000.0	10338800.0
Accounts Receivable:	277600.0	283600.0	279700.0	249600.0	257700.0	269400.0	272900.0	270071.4
% Change in Receivables (from prev. qtr.)		2.2%	-1.4%	-10.8%	3.2%	4.5%	1.3%	-0.1%
DSO's (# of days it took customers to pay)	16.9	15.7	15.7	14.5	14.3	14.4	14.4	15.1
Inventories:	829800.0	758400.0	689100.0	678900.0	747400.0	720000.0	711000.0	733514.3
% Change in Inventory (from prev. qtr.)		-8.6%	-9.1%	-1.5%	10.1%	-3.7%	-1.3%	-2.3%
Inventory as a % of Sales	55.5%	46.0%	42.5%	43.2%	45.7%	42.4%	41.3%	45.24%
Prepaid Expenses:	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Other Current Assets:	19900.0	20300.0	16400.0	17700.0	17000.0	16400.0	18500.0	18028.6
Property, Plant & Equip. (net):	1015000.0	1038700.0	1059500.0	1080200.0	1086500.0	1089100.0	1115400.0	1069200.0
% Change in P, P & E (from prev. qtr.)		2.3%	2.0%	2.0%	0.6%	0.2%	2.4%	1.6%
Accounts Payable:	502600.0	493400.0	459900.0	430800.0	504300.0	461100.0	458400.0	472928.6
% Change in Payables (from prev. qtr.)		-1.8%	-6.8%	-6.3%	17.1%	-8.6%	-0.6%	-1.2%
Quarterly period ending:	11/30/08	2/28/09	5/31/09	8/31/09	11/30/09	2/28/10	5/31/10	
Total Liabilities:	1138200.0	1114600.0	1095600.0	1076600.0	1192700.0	1138600.0	1159500.0	1130828.6
Shareholder equity:	1313100.0	1367900.0	1418700.0	1437600.0	1462100.0	1494800.0	1511200.0	1429342.9
Retained Earnings (Accum. Deficit)	1408800.0	1461700.0	1502700.0	1532700.0	1567900.0	1621500.0	1654300.0	1535657.1
Operating Cash Flow (OCF)	2578415.5	2684320.3	2774925.1	2824024.1	2883116.6	2968119.1	2975917.4	2812691.2
OCF as % of Revenues	172.5%	162.9%	171.2%	179.8%	176.2%	174.7%	173.0%	172.92%
Balance Sheet Cash Flow (BSCF)	1138120.0	1114520.3	1095524.4	1076530.2	1192622.1	1138525.3	1159425.0	1130752.5
BSCF as % of Revenues	76.1%	67.6%	67.6%	68.6%	72.9%	67.0%	67.4%	69.61%
Spread between OCF & BSCF	1440295.5	1569800.0	1679400.7	1747493.9	1690494.5	1829593.8	1816492.3	1681938.7
Ratios								
Spread to Revenues	96.36%	95.28%	103.60%	111.28%	103.31%	107.71%	105.62%	1.033
Spread to OCF	2.266	2.408	2.533	2.623	2.417	2.607	2.567	2.489
MR Dual Cash-Flow Figure	3.229	3.361	3.569	3.736	3.451	3.684	3.623	3.522

**The Merriam Report**

Quarterly period ending:	11/30/08	2/28/09	5/31/09	8/31/09	11/30/09	2/28/10	5/31/10
MR Dual Cash-Flow Figure	3.229	3.361	3.569	3.736	3.451	3.684	3.623

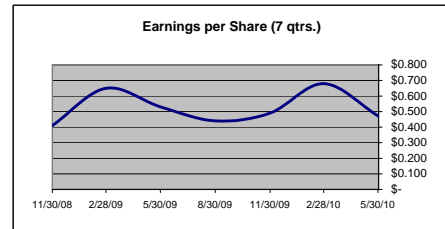
**Merriam Report Signals:**

- Recent Bearish
- Confirmed Bearish
- Recent Bullish
- Confirmed Bullish



**MR Dual Cash-Flow Figure (avg.)**

3.522



	11/30/08	02/28/09	05/31/09	08/31/09	11/30/09	02/28/10	05/31/10	
P/E	11.62	11.42	14.6	16.69	18.43	16.47	15.33	0 14.94
P/S	0.41	0.39	0.48	0.53	0.6	0.53	0.47	1 0.487
P/FCF	125.6285	40.1278	23.2194	19.3241	13.3081	15.2985	15.9469	0 36.12
PEG	3.9878	-8.0294	-3.4398	-2.4144	-19.5372	6.8504	6.224	1 -2.337
Earnings Yield	0.0861	0.0876	0.0685	0.0599	0.0543	0.0607	0.0652	0 0.069
Cash to Total Asse	0.0361	0.0628	0.0955	0.1029	0.1187	0.1178	0.0886	-1 0.089
Debt-to-Assets	0.0545	0.0939	0.093	0.0929	0.0891	0.0891	0.0883	-1 0.086

**Accrual Ratios**  
Average Accruals

	11/30/08	2/28/09	5/31/09	8/31/09	11/30/09	2/28/10	5/31/10
Accrual Ratios	3.18%	1.71%	-3.81%	1.69%	-0.93%	1.38%	1.27%
Average Accruals	0.64%						-0.15

**Revenue Metrics (as % of Sales)**

- Research & Development
- Cost of Sales
- S/G/A
- Payables

Recent Qtr.
0.00%
72.39%
22.79%
26.65%

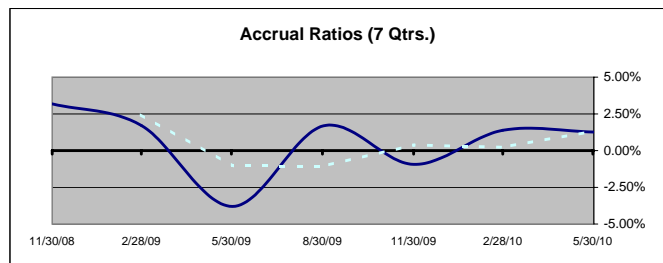
Combined Avg.  
0.00%  
72.08%  
22.69%  
29.07%

**Capital Productivity**

- Inventory / Revenues
- Receivables / Revenues
- Inventory & Receivables / Revenues
- P,P&E / Revenues

Recent Qtr.
\$ 0.413
\$ 0.159
\$ 0.572
\$ 0.649

Combined Avg.  
\$ 0.451  
\$ 0.166  
\$ 0.617  
\$ 0.657



Accrual Ratios: According to the MR model, a ratio of -5 or less is very bullish and a ratio of +5 or more is very bearish.

-0.31% -0.10%

## Summary of Merriam Report Signals

Dual Cash-Flow Figures

Recent Bearish

Confirmed Bullish

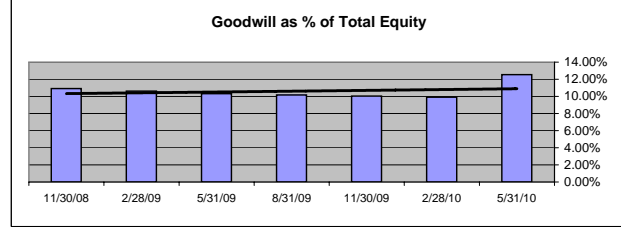
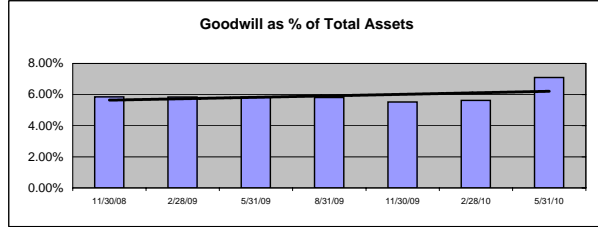
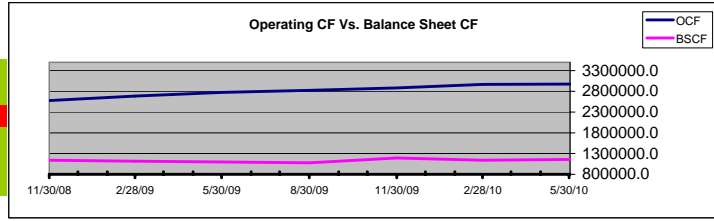
Operating Cash-Flow Trend  
Balance Sheet Cash-Flow Trend

Bullish  
Bullish

	11/30/08	2/28/09	5/31/09	8/31/09	11/30/09	2/28/10	5/31/10
OCF	2578415.5	2684320.3	2774925.1	2824024.1	2883116.6	2968119.1	2975917.4
BSCF	1138120.0	1114520.3	1095524.4	1076530.2	1192622.1	1138525.3	1159425.0

### Comparison of Recent Quarter Changes to Average

EPS	Bullish	
Revenues	Bullish	
Accounts Receivable	Bearish	
Days Sales Outstanding	Bullish	
Inventory	Bullish	
Accounts Payable	Bullish	
Accrual Ratios	Neutral	



	11/30/08	2/28/09	5/31/09	8/31/09	11/30/09	2/28/10	5/31/10	AVG.	
Goodwill as % of Total Assets	5.85%	5.84%	5.82%	5.81%	5.53%	5.62%	7.09%	5.94%	-1
Goodwill as % of Total Equity	10.91%	10.61%	10.31%	10.16%	10.03%	9.90%	12.53%	10.64%	-1
	1.87	1.81	1.77	1.75	1.82	1.76	1.77	1.79	1
									-1

Dual Cash Flow Trend	0
Financial Ratios (conventional)	0
Balance Sheet and Income Statement	-2
Accrual Ratios	-0.15
Revenue Metrics and Capital Productivity	3
Goodwill Trends	-1
<b>Merriam Report Score</b>	<b>-0.15</b>

<b>WALGREEN CO</b>	<b>5/31/10</b>	<b>6/28/10</b>
<b>Ending Period Share Price</b>	<b>32.04</b>	<b>\$ 26.90</b>
<b>Estimated Fair Value</b>	<b>\$ 31.91</b>	
<b>End Price to Est. FV</b>	<b>0.41%</b>	<b>-15.70% UNDERVALUED</b>

(0.13) \$ 31.91  
0.41%