

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q/A

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED NOVEMBER 30, 2004

OR

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
(State of Incorporation)

36-1924025
(I.R.S. Employer Identification No.)

200 Wilmot Road, Deerfield, Illinois
(Address of principal executive offices)

60015
(Zip Code)

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

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Yes No

The number of shares outstanding of the registrant's Common Stock, \$.078125 par value, as of December 31, 2004 was 1,021,380,521.

EXPLANATORY NOTE

The purpose of this amendment on Form 10-Q/A to the Quarterly Report on Form 10-Q of Walgreen Co. for the quarter ended November 30, 2004 is to restate our consolidated condensed financial statements for the three months ended November 30, 2004 and 2003 and related disclosures, as described in Note 1 to the Consolidated Condensed Financial Statements. Additional information about the decision to restate these financial statements can be found in the company's Form 8-K, filed with the Securities and Exchange Commission on March 21, 2005.

No attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q, except as required to reflect the effects of the restatement and a reclassification of auction rate securities. The Form 10-Q/A does not reflect events occurring after the filing of the Form 10-Q or modify or update these disclosures, including the exhibits to the Form 10-Q affected by subsequent events. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the original filing of the Form 10-Q on January 6, 2005. Accordingly, this Form 10-Q/A should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the filing of the original Form 10-Q. The following items have been amended as a result of the restatement:

- Part I - Item 1 - Financial Statements
- Part I - Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part I - Item 4 - Controls and Procedures

DESCRIPTION OF RESTATEMENT

Historically, when accounting for leases, we recorded rent expense on a straight-line basis over the firm term of the lease, with the term commencing when actual rent payments began. Depreciation of buildings on leased land occurred over a period that may have included both the firm term of the lease as well as certain option periods.

We have revised our accounting such that the commencement date of all lease terms is the earlier of the date we become legally obligated to make rent payments or the date we have the right to control the property. Additionally, we recognize rent expense on a straight-line basis over a time period that equals or exceeds the time period used for depreciation of buildings on leased land.

WALGREEN CO. AND SUBSIDIARIES
CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The consolidated condensed financial statements included herein have been prepared by the company pursuant to the rules and regulations of the Securities and Exchange Commission. The Consolidated Condensed Balance Sheet as of November 30, 2004, the Consolidated Condensed Statements of Earnings for the three months ended November 30, 2004 and 2003, and the Consolidated Condensed Statements of Cash Flows for the three months ended November 30, 2004 and 2003, have been prepared without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these consolidated condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the company's latest annual report on Form 10-K/A.

In the opinion of the company, the consolidated condensed statements for the unaudited interim periods presented include all adjustments, consisting of normal recurring adjustments and restatements, necessary to present a fair statement of the results for such interim periods. Because of the influence of certain holidays, seasonal and other factors on the company's operations, net earnings for any interim period may not be comparable to the same interim period in previous years, nor necessarily indicative of earnings for the full year.

WALGREEN CO. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)
(Dollars in Millions)

	November 30, 2004 (Restated) (See Note 1)	August 31, 2004
Assets		
Current Assets:		
Cash and cash equivalents	\$ 639.0	\$ 444.0
Short term investments - available for sale	674.4	1,251.5
Accounts receivable, net	1,315.7	1,169.1
Inventories	5,582.5	4,738.6
Other current assets	173.5	161.2
Total Current Assets	8,385.1	7,764.4
Property and Equipment, at cost, less accumulated depreciation and amortization of \$1,755.5 at November 30 and \$1,647.9 at August 31	5,638.4	5,446.4
Other Non-Current Assets	126.2	131.3
Total Assets	\$ 14,149.7	\$ 13,342.1
Liabilities & Shareholders' Equity		
Current Liabilities:		
Trade accounts payable	\$ 3,203.1	\$ 2,641.5
Accrued expenses and other liabilities	1,235.0	1,370.5
Income taxes	206.3	65.9
Total Current Liabilities	4,644.4	4,077.9
Non-Current Liabilities:		
Deferred income taxes	274.8	274.1
Other non-current liabilities	904.8	850.4
Total Non-Current Liabilities	1,179.6	1,124.5
Shareholders' Equity:		
Preferred stock \$.0625 par value; authorized 32 million shares; none issued	-	-
Common stock \$.078125 par value; authorized 3.2 billion shares; issued 1,025,400,000 at November 30 and August 31	80.1	80.1
Paid-in capital	625.8	632.6
Employee stock loan receivable	(.9)	-
Retained earnings	7,778.1	7,503.3
Treasury Stock, at cost; 4,280,249 shares at November 30 and 2,107,263 shares at August 31	(157.4)	(76.3)
Total Shareholders' Equity	8,325.7	8,139.7
Total Liabilities & Shareholders' Equity	\$ 14,149.7	\$ 13,342.1

The accompanying Notes to Consolidated Condensed Financial
Statements are an integral part of these Statements.

WALGREEN CO. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(UNAUDITED)
(In Millions Except Per Share Data)

	Three Months Ended	
	November 30, 2004 (Restated) (See Note 1)	November 30, 2003 (Restated) (See Note 1)
Net Sales	<u>\$ 9,889.1</u>	<u>\$ 8,720.8</u>
Costs and Deductions:		
Cost of sales	7,181.2	6,420.7
Selling, occupancy and administration	<u>2,216.8</u>	<u>1,900.6</u>
	<u>9,398.0</u>	<u>8,321.3</u>
Other Income:		
Interest income	5.1	2.8
Other income	<u>15.0</u>	<u>-</u>
	<u>20.1</u>	<u>2.8</u>
Earnings before income tax provision	511.2	402.3
Income tax provision	<u>182.6</u>	<u>150.8</u>
Net earnings	<u>\$ 328.6</u>	<u>\$ 251.5</u>
Per share-		
Basic	<u>\$.32</u>	<u>\$.25</u>
Diluted	<u>\$.32</u>	<u>\$.24</u>
Dividends declared	<u>\$.0525</u>	<u>\$.043125</u>
Average shares outstanding	1,022.6	1,025.0
Dilutive effect of stock options	<u>6.8</u>	<u>7.2</u>
Average shares outstanding assuming dilution	<u>1,029.4</u>	<u>1,032.2</u>

The accompanying Notes to Consolidated Condensed Financial
Statements are an integral part of these Statements.

WALGREEN CO. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Dollars in Millions)

	Three Months Ended	
	November 30, 2004	November 30, 2003
Net cash provided by operating activities	\$ 58.6	\$ 172.8
Cash flows from investing activities:		
Purchases of short term investments-available for sale	(2,666.4)	(1,845.6)
Proceeds from sale of short term investments-available for sale	3,247.9	1,846.3
Additions to property and equipment	(305.2)	(203.6)
Dispositions of property and equipment	.2	.4
Net cash provided by (used for) investing activities	276.5	(202.5)
Cash flows from financing activities:		
Stock purchases	(119.3)	(58.2)
Proceeds related to employee stock plans	31.6	34.5
Cash dividends paid	(53.8)	(44.2)
Other	1.4	(7.6)
Net cash used for financing activities	(140.1)	(75.5)
Changes in cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	195.0	(105.2)
Cash and cash equivalents at beginning of year	444.0	1,268.0
Cash and cash equivalents at end of period	\$ 639.0	\$1,162.8

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these Statements.

WALGREEN CO. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(1) The company has recorded a non-cash correction of lease accounting errors. These adjustments conform the accounting for leases to accounting principles generally accepted in the United States of America as described in a recent letter issued by the Chief Accountant of the Securities and Exchange Commission. Although the company does not believe that these errors resulted in a material misstatement of its consolidated financial statements for any annual or interim period previously reported, the effect of correcting the cumulative impact of the errors in the current quarter would have had a material effect on the current quarter and fiscal year results.

Historically, when accounting for leases, the company recorded rent expense on a straight-line basis over the firm term of the lease, with the term commencing when actual rent payments began. Depreciation of buildings on leased land occurred over a period that may have included both the firm term of the lease as well as certain option periods.

The company has revised its accounting such that the commencement date of all lease terms is the earlier of the date the company becomes legally obligated to make rent payments or the date the company has the right to control the property. Additionally, the company recognizes rent expense on a straight-line basis over a time period that equals or exceeds the time period used for depreciation of buildings on leased land.

The following is a summary of the effects of the corrections (In Millions, Except Per Share Data):

Consolidated Condensed Statement of Earnings

Three Months Ended November 30, 2004

	<u>As Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Selling, Occupancy and Administration	\$ 2,210.3	\$ 6.5	\$ 2,216.8
Earnings Before Income Tax Provision	517.7	(6.5)	511.2
Income Tax Provision	185.0	(2.4)	182.6
Net Earnings	332.7	(4.1)	328.6
Per Share-			
Basic	\$.33	\$ (.01)	\$.32
Diluted	.32	-	.32

Consolidated Condensed Statement of Earnings

Three Months Ended November 30, 2003

	<u>As Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Selling, Occupancy and Administration	\$ 1,895.1	\$ 5.5	\$ 1,900.6
Earnings Before Income Tax Provision	407.8	(5.5)	402.3
Income Tax Provision	152.9	(2.1)	150.8
Net Earnings	254.9	(3.4)	251.5
Per Share-			
Basic	\$.25	\$ -	\$.25
Diluted	.25	(.01)	.24

Consolidated Condensed Balance Sheet

As of November 30, 2004

	<u>As Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Accrued Expenses and Other Liabilities	\$ 1,235.6	\$ (.6)	\$ 1,235.0
Total Current Liabilities	4,645.0	(.6)	4,644.4
Deferred Income Taxes	330.7	(55.9)	274.8
Other Non-Current Liabilities	755.9	148.9	904.8
Total Non-Current Liabilities	1,086.6	93.0	1,179.6
Retained Earnings	7,870.5	(92.4)	7,778.1
Total Shareholders' Equity	8,418.1	(92.4)	8,325.7

Additionally, auction rate securities of \$674.4 million which were previously classified as cash and cash equivalents at November 30, 2004 have been reclassified as short term investments-available for sale. The cash flows related to these investments are now disclosed as investing activities in the company's Consolidated Condensed Statements of Cash Flows.

(2) Inventories are valued on a lower of last-in, first-out (LIFO) cost or market basis. At November 30, 2004 and August 31, 2004, inventories would have been greater by \$754.9 million and \$736.4 million respectively, if they had been valued on a lower of first-in, first-out (FIFO) cost or market basis. LIFO inventory costs can only be determined annually when inflation rates and inventory levels are finalized; therefore, LIFO inventory costs for interim financial statements are estimated. Included in inventory are product cost and inbound freight. Cost of sales is primarily based upon point-of-sale scanning information with an estimate for shrinkage and adjusted based on periodic inventories.

(3) The company capitalized interest expense as part of significant construction projects. The amounts capitalized were \$1.2 million and \$.3 million for the three-months ended November 30, 2004 and 2003, respectively.

(4) The company remains secondarily liable on 47 assigned leases. The maximum potential of undiscounted future payments is \$10.6 million as of November 30, 2004. Lease option dates vary, with some extending to 2013. Most of the assignments were a result of the sale of the "Wag's" restaurants in August 1988.

(5) The company applies Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation has been recognized based on the fair value of its grants under these plans. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation in fiscal 2005 and 2004.

	Three Months Ended	
	November 30, 2004 (Restated) (See Note 1)	November 30, 2003 (Restated) (See Note 1)
<u>(In Millions Except Per Share Data)</u>		
Net Earnings, as reported	\$ 328.6	\$ 251.5
Add: Stock-based employee compensation expense included in reported net earnings, net of related tax effects	.1	.1
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(13.2)	(11.1)
Pro forma net earnings	<u>\$ 315.5</u>	<u>\$ 240.5</u>
Earnings per share -		
Basic - as reported	<u>\$.32</u>	<u>\$.25</u>
Basic - pro forma	<u>\$.31</u>	<u>\$.24</u>
Diluted - as reported	<u>\$.32</u>	<u>\$.24</u>
Diluted - pro forma	<u>\$.31</u>	<u>\$.23</u>

(6) 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 \$45.5 million for the quarter and \$36.3 million for the same period last year.

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

Components of Net Periodic Benefit Costs (In Millions):	Three Months Ended	
	November 30, 2004	November 30, 2003
Service cost	\$ 5.6	\$ 4.8
Interest cost	6.3	5.6
Amortization of actuarial loss	2.5	2.5
Amortization of prior service cost	<u>(0.5)</u>	<u>(0.1)</u>
Total postretirement benefit cost	<u>\$ 13.9</u>	<u>\$ 12.8</u>

(7) On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 was signed into law. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retirement health care benefit plans. Based on federal requirements, neither the accumulated postretirement benefit obligation nor the net periodic postretirement benefit costs reflect the subsidy as of November 30, 2004.

(8) Certain amounts for fiscal 2004 and 2003 have been reclassified to be consistent with the fiscal 2005 presentation.

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

INTRODUCTION

Walgreens is engaged in the retail sale of prescription and nonprescription drugs and general merchandise. General merchandise includes, among other things, cosmetics, toiletries, household items, food, beverages and photofinishing. Customers can have prescriptions filled at the drugstore counter, as well as through the mail, by telephone, and on the Internet. The total number of drugstores (including three mail service facilities) at November 30, 2004 was 4,680 located in 44 states and Puerto Rico.

The drugstore industry is highly competitive. In addition to other drugstore chains, independent drugstores, mail order prescription providers and Internet pharmacies, we also compete with various other retailers including grocery stores, mass merchants and dollar stores.

The long-term outlook for prescription sales is strong due in part to the aging population, as well as the continued development of innovative drugs that improve quality of life and control healthcare costs. Although the effect of the new Medicare prescription drug legislation on retail pharmacy is difficult to fully ascertain at this time, we are experiencing additional prescription sales as a result of the new senior discount cards; however, gross margin rates on these sales are lower. As an efficient provider, we feel we are positioned well for these industry developments. We continue with expansion into new markets and increased penetration in existing markets. We believe we are well staffed with pharmacists for both current demands and future growth, with only select market needs.

RESTATEMENT AND RECLASSIFICATION OF FINANCIAL STATEMENTS

As disclosed in our March 21, 2005 Form 8-K, we recorded a non-cash correction of lease accounting errors. These adjustments conform the accounting for leases to accounting principles generally accepted in the United States of America as described in a recent letter issued by the Chief Accountant of the Securities and Exchange Commission. Although we do not believe that these errors resulted in a material misstatement of the consolidated financial statements for any annual or interim period previously reported, the effect of correcting the cumulative impact of the errors in the current quarter would have had a material effect on the current quarter and fiscal year results.

Historically, when accounting for leases, we recorded rent expense on a straight-line basis over the firm term of the lease, with the term commencing when actual rent payments began. Depreciation of buildings on leased land occurred over a period that may have included both the firm term of the lease as well as certain option periods.

We have revised our accounting such that the commencement date of all lease terms is the earlier of the date we become legally obligated to make rent payments or the date we have the right to control the property. Additionally, we recognize rent expense on a straight-line basis over a time period that equals or exceeds the time period used for depreciation of buildings on leased land.

As a result, we have restated our consolidated condensed statement of earnings and balance sheets for the periods presented. Refer to Note 1 on pages 7 and 8. The following discussion of Results of Operations and Liquidity and Capital Resources reflect those restatements.

Additionally, auction rate securities of \$674.4 million which were previously classified as cash and cash equivalents at November 30, 2004 have been reclassified as short term investments-available for sale. The cash flows related to these investments are now disclosed as investing activities in the company's Consolidated Condensed Statements of Cash Flows.

OPERATING STATISTICS

	Percentage Increases	
	Three Months Ended	
	<u>November 30, 2004</u>	
Net Sales	13.4	
Net Earnings	30.7	
Comparable Drugstore Sales	9.4	
Prescription Sales	14.4	
Comparable Drugstore Prescription Sales	11.3	
Front-End Sales	11.7	
Comparable Front-End Sales	6.1	
	Percent to Sales	
	Three Months Ended	
	November 30	November 30
	<u>2004</u>	<u>2003</u>
Gross Margin	27.4	26.4
Selling, Occupancy & Administration Expenses	22.4	21.8
	Other Statistics	
	<u>November 30, 2004</u>	<u>November 30, 2003</u>
Prescription Sales as a % of Net Sales	64.5	63.9
Third Party Sales as a % of Prescription Sales	92.6	91.1
Total Number of Stores	4,680	4,291

RESULTS OF OPERATIONS

Net earnings for the first quarter of fiscal 2005 were \$328.6 million or \$.32 per share (diluted). This was a 30.7% increase in net earnings over last year. Included in this year's first quarter results was a \$15.0 million pre-tax gain for receipts of our share of prescription drug antitrust litigation settlements. Excluding that gain, the first quarter's earnings rose 27.0%. Net earnings increases resulted from improved sales and higher gross margin rates, partially offset by higher expense ratios.

Net sales for the quarter ended November 30, 2004 increased by 13.4% to \$9.9 billion. 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. Sales in comparable drugstores (those open at least one year) were up 9.4% for the quarter. We operated 4,680 drugstores as of November 30, 2004, compared to 4,291 a year earlier.

Prescription sales increased 14.4% for the first quarter and were 64.5% of total sales compared to 63.9% a year ago. Comparable drugstore prescription sales were up 11.3%. The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced prescription sales by 2.3% in the first quarter versus 1.1% for the same period a year ago. Third party sales, where reimbursement is received from managed care organizations as well as government and private insurance, were 92.6% of prescription sales compared to 91.1% a year ago.

Non-prescription (front-end) sales increased 11.7% for the first quarter and were 35.3% of total sales compared to 35.8% a year ago. Comparable front-end sales were up 6.1%.

Gross margins as a percent of total sales were 27.4% in the quarter compared to 26.4% last year. Both prescription and front-end margins increased. Prescription margins increased because of better purchasing terms and higher generic drug utilization. The higher generic drug utilization was primarily due to a steady stream of new generics over the past year. Partially offsetting these increases was the shift in sales mix toward prescriptions, which carry a lower margin than front-end merchandise. In addition, third party sales, which typically have lower profit margins than cash prescriptions, continue to become a larger portion of prescription sales. Non-prescription margins increased due to our sales mix moving to higher margin categories, especially in-store and digital film processing.

We use the last-in, first-out (LIFO) method of inventory valuation, which can be determined only annually when inflation rates and inventory levels are finalized; therefore, LIFO inventory costs for interim financial statements are estimated. Cost of sales for the November quarter includes a LIFO provision of \$18.5 million (\$.01 per share) versus \$20.1 million (\$.01 per share) for the same period a year ago.

Selling, occupancy and administration expenses were 22.4% of sales in the quarter compared to 21.8% a year ago. The increase, as a percent to sales, was principally caused by higher store salaries and costs associated with our ongoing conversion from analog to digital photo labs. New generic drugs, which tempered the rate of sales growth, also increased expense ratios in first quarter 2005 and 2004.

The effective income tax rate was 35.72% for the first quarter this fiscal year compared to 37.50% for the same period last year. The decrease is principally the result of the settlement of prior year Internal Revenue Service matters. We expect that our effective income tax rate for the remainder of fiscal 2005 will be 37.25%.

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 those judgments and estimates would not have a material impact on our 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. We use the following techniques to determine estimates:

Liability for closed locations -

The present value of future rent obligations and other related costs (net of estimated sublease rent) to the first lease option date.

Liability for insurance claims -

Provisions for these losses are recorded based upon 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, sales or promotion of vendors' products. Allowances are generally recorded as a reduction of inventory and are recognized as a reduction of cost of sales when the related merchandise is sold. Those allowances received for promoting vendors' products are offset against advertising expense and result in a reduction of selling, occupancy and administration expense to the extent of advertising 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.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$639.0 million at November 30, 2004, compared to \$1,162.8 million at November 30, 2003. 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 typically in top-tier money market funds and commercial paper.

Net cash provided by operating activities for the first quarter was \$58.6 million compared to \$172.8 million a year ago. The change between periods was principally due to increased inventory levels. Our profit is the principal source of funds for expansion and remodeling programs, dividends to shareholders, the stock repurchase program and various technological improvements.

Net cash provided by investing activities was \$276.5 million versus \$202.5 million used last year. Investments in auction rate securities net of redemptions provided \$580.8 million over last year for the three month period. We actively invest in municipal bonds and student obligations and purchase these securities at par. While the underlying security is issued as a long term investment, they typically can be purchased and sold every 7, 28 and 35 days. The trading of auction rate securities takes place through a dutch auction with an interest rate reset at the beginning of each holding period. At the end of each holding period the interest is paid to the investor. Additions to property and equipment were \$305.2 million compared to \$203.6 million last year. There were 113 new or relocated drugstores which includes two home medical centers opened during the first quarter of this year. This compares to 88 in the same period last year which included three home infusion locations. New stores are owned or leased. There were 20 owned locations added during the quarter and 75 under construction at November 30, 2004 versus 9 owned and 42 under construction as of November 30, 2003.

Capital expenditures for fiscal 2005 are expected to be approximately \$1.5 billion. We expect to open about 450 new stores in fiscal 2005, with a net increase of approximately 365 stores, and anticipate having a total of 7,000 drugstores in the year 2010. We are continuing to relocate stores to more convenient and profitable freestanding locations. In addition to new stores, expenditures are planned for technology and distribution centers. A new distribution center is planned for South Carolina with an anticipated opening date in 2007.

Net cash used for financing activities was \$140.1 million compared to \$75.5 million last year. On July 14, 2004 the Board of Directors announced a stock repurchase program of up to \$1 billion, which we plan to execute over the next four years. During the first quarter, we purchased \$66.4 million of company shares related to the stock repurchase program for a total of \$88.3 million purchases since the start of the program. An additional \$52.9 million of shares were purchased to support the long-term needs of the employee stock plans, compared to similar purchases of \$58.2 million during the same period last year. There were no new borrowings during either period. At November 30, 2004, we had a syndicated bank line of credit facility of \$200 million to support our short-term commercial paper program.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table lists our contractual obligations and commitments as of November 30, 2004.

	Payments Due by Period (In Millions)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Operating leases*	\$22,319.4	\$ 1,292.9	\$ 2,638.7	\$ 2,495.8	\$15,892.0
Purchase obligations:					
Open inventory purchase orders*	1,000.9	1,000.9	-	-	-
Real estate development*	370.4	370.4	-	-	-
Other corporate obligations*	90.1	59.3	30.8	-	-
Insurance	388.2	138.8	133.1	76.8	39.5
Retiree health & life	216.7	6.9	15.2	19.9	174.7
Closed location obligations	77.6	19.4	27.9	16.6	13.7
Long-term debt	13.6	1.5	9.4	.6	2.1
Capital lease obligations	38.5	1.4	1.9	1.9	33.3
Other long-term liabilities reflected on the balance sheet	<u>166.0</u>	<u>10.5</u>	<u>11.4</u>	<u>17.8</u>	<u>126.3</u>
Total	<u>\$24,681.4</u>	<u>\$ 2,902.0</u>	<u>\$ 2,868.4</u>	<u>\$ 2,629.4</u>	<u>\$16,281.6</u>

* 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	\$ 34.6
Real estate development	1.6
Insurance	<u>225.3</u>
Total	<u>\$261.5</u>

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 November 2004, the Financial Accounting Standards Board (FASB) issued Statement 151, "Inventory Costs – an Amendment of ARB No. 43, Chapter 4" which will be effective in the first quarter of fiscal year 2006. We have evaluated this pronouncement and no material impact is anticipated.

In December 2004, the FASB issued Statement 123 (revised) "Share-Based Payment," which will be effective in the first quarter of fiscal year 2006. This statement will eliminate the ability to account for share-based compensation transactions using APB Opinion No. 25 (Accounting for Stock Issued to Employees) and will require instead that compensation expense be recognized based on the fair value on the date of the grant. Additional footnote disclosures will be required. The company is evaluating the impact of this pronouncement.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information in this Form 10-Q/A, as well as in other public filings, the company website, press releases and oral statements made by our 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 and location of new store openings, 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 Form 10-Q/A and in our Annual Report on Form 10-K/A for the fiscal year ended August 31, 2004, 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, mail order companies and pharmacies; 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 pharmacy 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 3. Qualitative and Quantitative Disclosure 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 4. Controls and Procedures

Based on their evaluation as of November 30, 2004 and taking into consideration the restatement described in Note 1 on pages 7 and 8, 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 control 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 November 30, 2004 were identified that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Change in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

- (c) The following table provides information about purchases by the company during the quarter ended November 30, 2004 of equity securities that are registered by the company pursuant to Section 12 of the Exchange Act:

Period	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)</u>
09/01/2004 - 09/30/2004	-	\$ -	-	-
10/01/2004 - 10/31/2004	1,965,000	36.11	1,465,000	\$925,127,658
11/01/2004 - 11/30/2004	<u>1,250,000</u>	<u>38.68</u>	<u>350,000</u>	\$911,681,810
Total	<u>3,215,000</u>	<u>\$37.11</u>	<u>1,815,000</u>	

- (1) The company repurchased an aggregate of 1,400,000 shares of its common stock in open-market transactions to satisfy the requirements of the company's employee stock purchase and option plans, as well as the company's Nonemployee Director Stock Plan.
- (2) On July 14, 2004, the Board of Directors approved a stock repurchase program, pursuant to which up to \$1 billion of the company's common stock may be repurchased. This program was announced in the company's report on Form 8-K, which was filed on July 15, 2004. The total remaining authorization under the repurchase programs was \$911,681,810 as of November 30, 2004. The expiration date of the repurchase program is July 13, 2008.

Item 6. Exhibits

(a) 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 July 9, 2003, filed with the Securities and Exchange Commission as Exhibit 3(b) to the company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2003, 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.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements 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)

Dated: April 8, 2005

/s/ William M. Rudolphsen

William M. Rudolphsen
Senior Vice President and
Chief Financial Officer

Dated: April 8, 2005

/s/ Mia M. Scholz

Mia M. Scholz
Controller
(Chief Accounting Officer)

CERTIFICATION

I, David W. Bernauer, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Walgreen Co.;
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(s) 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 the 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.

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

Date
April 8, 2005

CERTIFICATION

I, William M. Rudolphsen, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Walgreen Co.;
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(s) 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 the 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.

/s/ William M. Rudolphsen Chief Financial Officer
William M. Rudolphsen

Date
April 8, 2005

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Walgreen Co., an Illinois corporation (the “Company”), on Form 10-Q/A for the quarter ending November 30, 2004 as filed with the Securities and Exchange Commission (the “Report”), I, David W. Bernauer, Chief Executive Officer of the Company, certify, 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.

/s/ David W. Bernauer
David W. Bernauer
Chief Executive Officer
Dated: April 8, 2005

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.

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Walgreen Co., an Illinois corporation (the "Company"), on Form 10-Q/A for the quarter ending November 30, 2004 as filed with the Securities and Exchange Commission (the "Report"), I, William M. Rudolphsen, Chief Financial Officer of the Company, certify, 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.

/s/ William M. Rudolphsen
William M. Rudolphsen
Chief Financial Officer
Dated: April 8, 2005

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.