

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(unaudited)

	February 26, 2011	February 27, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 91,116	\$ 103,594
Accounts receivable, net	966,457	955,502
Inventories, net of LIFO reserve of \$875,012 and \$831,113	3,158,145	3,238,644
Prepaid expenses and other current assets	195,647	210,928
Total current assets	4,411,365	4,508,668
Property, plant and equipment, net	2,039,383	2,293,153
Other intangibles, net	646,177	823,088
Other assets	458,925	425,002
Total assets	<u>\$ 7,555,850</u>	<u>\$ 8,049,911</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 63,045	\$ 51,502
Accounts payable	1,307,872	1,159,069
Accrued salaries, wages and other current liabilities	1,049,406	965,121
Total current liabilities	2,420,323	2,175,692
Long-term debt, less current maturities	6,034,525	6,185,633
Lease financing obligations, less current maturities	122,295	133,764
Other noncurrent liabilities	1,190,074	1,228,373
Total liabilities	9,767,217	9,723,462
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock - Series G	1	1
Preferred stock - Series H	161,650	152,304
Common stock	890,297	887,636
Additional paid-in capital	4,281,623	4,277,200
Accumulated deficit	(7,514,796)	(6,959,372)
Accumulated other comprehensive loss	(30,142)	(31,320)
Total stockholders' deficit	(2,211,367)	(1,673,551)
Total liabilities and stockholders' deficit	<u>\$ 7,555,850</u>	<u>\$ 8,049,911</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)
(unaudited)

	Thirteen weeks ended February 26, 2011	Thirteen weeks ended February 27, 2010
Revenues	\$ 6,456,466	\$ 6,463,786
Costs and expenses:		
Cost of goods sold	4,755,479	4,788,449
Selling, general and administrative expenses	1,630,053	1,641,574
Lease termination and impairment charges	154,073	77,207
Interest expense	132,504	141,687
(Gain) loss on sale of assets, net	(11,438)	1,461
	<u>6,660,671</u>	<u>6,650,378</u>
Loss before income taxes	(204,205)	(186,592)
Income tax expense	1,488	21,764
Net loss	<u>\$ (205,693)</u>	<u>\$ (208,356)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (205,693)	\$ (208,356)
Accretion of redeemable preferred stock	(25)	(25)
Cumulative preferred stock dividends	(2,389)	(2,251)
Loss attributable to common stockholders - basic and diluted	<u>\$ (208,107)</u>	<u>\$ (210,632)</u>
Basic and diluted weighted average shares	<u>883,784</u>	<u>881,641</u>
Basic and diluted loss per share	\$ (0.24)	\$ (0.24)

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)
(unaudited)

	Fifty-two weeks ended February 26, 2011	Fifty-two weeks ended February 27, 2010
Revenues	\$ 25,214,907	\$ 25,669,117
Costs and expenses:		
Cost of goods sold	18,522,403	18,845,027
Selling, general and administrative expenses	6,457,833	6,603,372
Lease termination and impairment charges	210,893	208,017
Interest expense	547,581	515,763
Loss on debt modifications and retirements, net	44,003	993
Gain on sale of assets, net	(22,224)	(24,137)
	<u>25,760,489</u>	<u>26,149,035</u>
Loss before income taxes	(545,582)	(479,918)
Income tax expense	9,842	26,758
Net loss	<u>\$ (555,424)</u>	<u>\$ (506,676)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (555,424)	\$ (506,676)
Accretion of redeemable preferred stock	(102)	(102)
Cumulative preferred stock dividends	(9,346)	(8,807)
Loss attributable to common stockholders - basic and diluted	<u>\$ (564,872)</u>	<u>\$ (515,585)</u>
Basic and diluted weighted average shares	<u>882,947</u>	<u>880,843</u>
Basic and diluted loss per share	\$ (0.64)	\$ (0.59)

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

(Dollars in thousands, except per share amounts)

(unaudited)

	Thirteen weeks ended February 26, 2011	Thirteen weeks ended February 27, 2010
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 6,456,466	\$ 6,463,786
Cost of goods sold	4,755,479	4,788,449
Gross profit	1,700,987	1,675,337
LIFO charge	825	44,140
FIFO gross profit	1,701,812	1,719,477
Gross profit as a percentage of revenues	26.35%	25.92%
LIFO charge as a percentage of revenues	0.01%	0.68%
FIFO gross profit as a percentage of revenues	26.36%	26.60%
Selling, general and administrative expenses	1,630,053	1,641,574
Selling, general and administrative expenses as a percentage of revenues	25.25%	25.40%
Cash interest expense	123,310	130,142
Non-cash interest expense	9,194	11,545
Total interest expense	132,504	141,687
Adjusted EBITDA	215,429	205,051
Adjusted EBITDA as a percentage of revenues	3.34%	3.17%
Net loss	(205,693)	(208,356)
Net loss as a percentage of revenues	-3.19%	-3.22%
Total debt	6,219,865	6,370,899
Invested cash	1,653	8,510
Total debt net of invested cash	6,218,212	6,362,389
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	57,904	59,317
Intangible assets acquired	8,162	4,111
Total cash capital expenditures	66,066	63,428
Equipment received for noncash consideration	1,048	6,153
Equipment financed under capital leases	1,786	-
Gross capital expenditures	\$ 68,900	\$ 69,581

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

(Dollars in thousands, except per share amounts)

(unaudited)

	Fifty-two weeks ended February 26, 2011	Fifty-two weeks ended February 27, 2010
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 25,214,907	\$ 25,669,117
Cost of goods sold	18,522,403	18,845,027
Gross profit	6,692,504	6,824,090
LIFO charge	44,905	88,450
FIFO gross profit	6,737,409	6,912,540
Gross profit as a percentage of revenues	26.54%	26.58%
LIFO charge as a percentage of revenues	0.18%	0.34%
FIFO gross profit as a percentage of revenues	26.72%	26.93%
Selling, general and administrative expenses	6,457,833	6,603,372
Selling, general and administrative expenses as a percentage of revenues	25.61%	25.72%
Cash interest expense	504,752	475,221
Non-cash interest expense	42,829	40,542
Total interest expense	547,581	515,763
Securitization costs (included in SG&A)	-	36,862
Total interest expense and securitization costs	547,581	552,625
Adjusted EBITDA	858,962	924,974
Adjusted EBITDA as a percentage of revenues	3.41%	3.60%
Net loss	(555,424)	(506,676)
Net loss as a percentage of revenues	-2.20%	-1.97%
Total debt	6,219,865	6,370,899
Invested cash	1,653	8,510
Total debt net of invested cash	6,218,212	6,362,389
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	162,287	183,858
Intangible assets acquired	24,233	9,772
Total cash capital expenditures	186,520	193,630
Equipment received for noncash consideration	3,476	15,603
Equipment financed under capital leases	4,622	185
Gross capital expenditures	\$ 194,618	\$ 209,418

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA
(In thousands)

	Thirteen weeks ended February 26, 2011	Thirteen weeks ended February 27, 2010
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (205,693)	\$ (208,356)
Adjustments:		
Interest expense	132,504	141,687
Income tax expense	1,488	21,764
Depreciation and amortization	126,548	129,931
LIFO charges	825	44,140
Lease termination and impairment charges	154,073	77,207
Stock-based compensation expense	3,434	5,459
(Gain) loss on sale of assets, net	(11,438)	1,461
Closed facility liquidation expense	3,262	1,548
Severance costs	2,854	-
Customer loyalty card programs revenue deferral (a)	7,431	-
Other	141	(9,790)
Adjusted EBITDA	<u>\$ 215,429</u>	<u>\$ 205,051</u>
Percent of revenues	<u>3.34%</u>	<u>3.17%</u>

Notes:

- (a) Relates to deferral of revenues for our customer loyalty programs.

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA
(In thousands)

	Fifty-two weeks ended February 26, 2011	Fifty-two weeks ended February 27, 2010
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (555,424)	\$ (506,676)
Adjustments:		
Interest expense and securitization costs	547,581	552,625
Income tax expense	9,842	26,758
Depreciation and amortization	505,546	534,238
LIFO charges	44,905	88,450
Lease termination and impairment charges	210,893	208,017
Stock-based compensation expense	17,336	23,794
Gain on sale of assets, net	(22,224)	(24,137)
Loss on debt modifications and retirements, net	44,003	993
Closed facility liquidation expense	9,881	14,801
Severance costs	4,883	6,184
Customer loyalty card programs revenue deferral (a)	41,669	-
Other	71	(73)
Adjusted EBITDA	<u>\$ 858,962</u>	<u>\$ 924,974</u>
Percent of revenues	3.41%	3.60%

Notes:

- (a) Relates to deferral of revenues for our customer loyalty programs.

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended February 26, 2011	Thirteen weeks ended February 27, 2010
OPERATING ACTIVITIES:		
Net loss	\$ (205,693)	\$ (208,356)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	126,548	129,931
Lease termination and impairment charges	154,073	77,207
LIFO charges	825	44,140
(Gain) loss on sale of assets, net	(11,438)	1,461
Stock-based compensation expense	3,434	5,459
Changes in operating assets and liabilities:		
Accounts receivable	8,015	126,686
Inventories	171,607	292,843
Accounts payable	(116,614)	(323,301)
Other assets and liabilities, net	(202,310)	(246,824)
Net cash used in operating activities	<u>(71,553)</u>	<u>(100,754)</u>
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(57,904)	(59,317)
Intangible assets acquired	(8,162)	(4,111)
Proceeds from sale-leaseback transactions	-	1,435
Proceeds from dispositions of assets and investments	12,577	25,969
Net cash used in investing activities	<u>(53,489)</u>	<u>(36,024)</u>
FINANCING ACTIVITIES:		
Net repayments to revolver	(30,000)	(44,000)
Principal payments on long-term debt	(4,470)	(7,532)
Change in zero balance cash accounts	129,036	136,125
Net proceeds from the issuance of common stock	125	36
Deferred financing costs paid	(575)	(886)
Net cash provided by financing activities	<u>94,116</u>	<u>83,743</u>
Decrease in cash and cash equivalents	<u>(30,926)</u>	<u>(53,035)</u>
Cash and cash equivalents, beginning of period	122,042	156,629
Cash and cash equivalents, end of period	<u>\$ 91,116</u>	<u>\$ 103,594</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Fifty-two weeks ended February 26, 2011	Fifty-two weeks ended February 27, 2010
OPERATING ACTIVITIES:		
Net loss	\$ (555,424)	\$ (506,676)
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	505,546	534,238
Lease termination and impairment charges	210,893	208,017
LIFO charges	44,905	88,450
Gain on sale of assets, net	(22,224)	(24,137)
Stock-based compensation expense	17,336	23,794
Loss on debt modification and retirements, net	44,003	993
Proceeds from insured loss	-	1,380
Changes in operating assets and liabilities:		
Net repayments to accounts receivable securitization	-	(555,000)
Accounts receivable	(10,955)	118,240
Inventories	35,111	181,542
Accounts payable	156,116	(194,655)
Other assets and liabilities, net	(29,458)	(201,249)
Net cash provided by (used in) operating activities	<u>395,849</u>	<u>(325,063)</u>
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(162,287)	(183,858)
Intangible assets acquired	(24,233)	(9,772)
Proceeds from sale-leaseback transactions	-	7,967
Proceeds from dispositions of assets and investments	29,843	65,177
Net cash used in investing activities	<u>(156,677)</u>	<u>(120,486)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	650,000	1,303,307
Net repayments to revolver	(52,000)	(758,000)
Principal payments on long-term debt	(779,706)	(174,706)
Change in zero balance cash accounts	(15,657)	86,650
Net proceeds from the issuance of common stock	226	66
Financing fees paid for early debt redemption	(19,666)	-
Deferred financing costs paid	(34,847)	(60,209)
Net cash (used in) provided by financing activities	<u>(251,650)</u>	<u>397,108</u>
Decrease in cash and cash equivalents	<u>(12,478)</u>	<u>(48,441)</u>
Cash and cash equivalents, beginning of period	103,594	152,035
Cash and cash equivalents, end of period	<u>\$ 91,116</u>	<u>\$ 103,594</u>

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET LOSS GUIDANCE TO ADJUSTED EBITDA GUIDANCE
YEAR ENDING MARCH 3, 2012
(In thousands, except per share amounts)

	Guidance Range	
	Low	High
Sales	\$ 25,700,000	\$ 26,100,000
Same store sales	0.50%	2.00%
Gross capital expenditures	\$ 300,000	\$ 300,000
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (560,000)	\$ (370,000)
Adjustments:		
Interest expense	545,000	535,000
Income tax benefit	(10,000)	(15,000)
Depreciation and amortization	460,000	450,000
LIFO charge	80,000	60,000
Store closing and impairment charges	180,000	160,000
Stock-based compensation expense	17,000	14,000
Customer loyalty card programs revenue deferral (a)	45,000	35,000
Loss on debt modification	22,000	22,000
Other	21,000	9,000
Adjusted EBITDA	<u>\$ 800,000</u>	<u>\$ 900,000</u>
Diluted loss per share	\$ (0.64)	\$ (0.42)

(a) Relates to deferral of revenues for our customer loyalty programs.