

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	May 28, 2011	February 26, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 230,637	\$ 91,116
Accounts receivable, net	962,475	966,457
Inventories, net of LIFO reserve of \$895,013 and \$875,012	3,170,491	3,158,145
Prepaid expenses and other current assets	86,923	195,647
Total current assets	4,450,526	4,411,365
Property, plant and equipment, net	1,987,948	2,039,383
Other intangibles, net	611,687	646,177
Other assets	454,008	458,925
Total assets	<u>\$ 7,504,169</u>	<u>\$ 7,555,850</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 23,656	\$ 63,045
Accounts payable	1,354,259	1,307,872
Accrued salaries, wages and other current liabilities	1,059,188	1,049,406
Total current liabilities	2,437,103	2,420,323
Long-term debt, less current maturities	6,027,616	6,034,525
Lease financing obligations, less current maturities	119,291	122,295
Other noncurrent liabilities	1,190,396	1,190,074
Total liabilities	9,774,406	9,767,217
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock - Series G	1	1
Preferred stock - Series H	164,075	161,650
Common stock	890,221	890,297
Additional paid-in capital	4,282,903	4,281,623
Accumulated deficit	(7,577,885)	(7,514,796)
Accumulated other comprehensive loss	(29,552)	(30,142)
Total stockholders' deficit	(2,270,237)	(2,211,367)
Total liabilities and stockholders' deficit	<u>\$ 7,504,169</u>	<u>\$ 7,555,850</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(unaudited)

	Thirteen weeks ended May 28, 2011	Thirteen weeks ended May 29, 2010
Revenues	\$ 6,390,793	\$ 6,394,336
Costs and expenses:		
Cost of goods sold	4,699,874	4,682,632
Selling, general and administrative expenses	1,586,236	1,622,934
Lease termination and impairment charges	17,090	13,457
Interest expense	130,760	141,619
Loss on debt modifications and retirements, net	22,434	-
(Gain) loss on sale of assets, net	(4,792)	237
	<u>6,451,602</u>	<u>6,460,879</u>
Loss before income taxes	(60,809)	(66,543)
Income tax expense	2,273	7,141
Net loss	<u>\$ (63,082)</u>	<u>\$ (73,684)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (63,082)	\$ (73,684)
Accretion of redeemable preferred stock	(25)	(25)
Cumulative preferred stock dividends	(2,425)	(2,285)
Loss attributable to common stockholders - basic and diluted	<u>\$ (65,532)</u>	<u>\$ (75,994)</u>
Basic and diluted weighted average shares	<u>883,915</u>	<u>881,732</u>
Basic and diluted loss per share	\$ (0.07)	\$ (0.09)

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION
(Dollars in thousands, except per share amounts)
(unaudited)

	Thirteen weeks ended May 28, 2011	Thirteen weeks ended May 29, 2010
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 6,390,793	\$ 6,394,336
Cost of goods sold	4,699,874	4,682,632
Gross profit	1,690,919	1,711,704
LIFO charge	20,001	20,528
FIFO gross profit	1,710,920	1,732,232
Gross profit as a percentage of revenues	26.46%	26.77%
LIFO charge as a percentage of revenues	0.31%	0.32%
FIFO gross profit as a percentage of revenues	26.77%	27.09%
Selling, general and administrative expenses	1,586,236	1,622,934
Selling, general and administrative expenses as a percentage of revenues	24.82%	25.38%
Cash interest expense	122,192	129,923
Non-cash interest expense	8,568	11,696
Total interest expense	130,760	141,619
Adjusted EBITDA	262,854	249,790
Adjusted EBITDA as a percentage of revenues	4.11%	3.91%
Net loss	(63,082)	(73,684)
Net loss as a percentage of revenues	-0.99%	-1.15%
Total debt	6,170,563	6,269,245
Invested cash	121,603	202,085
Total debt net of invested cash	6,048,960	6,067,160
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	48,755	35,212
Intangible assets acquired	8,072	5,377
Total cash capital expenditures	56,827	40,589
Equipment received for noncash consideration	-	2,028
Equipment financed under capital leases	1,562	-
Gross capital expenditures	\$ 58,389	\$ 42,617

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

	Thirteen weeks ended May 28, 2011	Thirteen weeks ended May 29, 2010
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (63,082)	\$ (73,684)
Adjustments:		
Interest expense	130,760	141,619
Income tax expense	2,273	7,141
Depreciation and amortization	117,090	127,500
LIFO charges	20,001	20,528
Lease termination and impairment charges	17,090	13,457
Stock-based compensation expense	3,571	5,485
(Gain) loss on sale of assets, net	(4,792)	237
Loss on debt modifications and retirements, net	22,434	-
Closed facility liquidation expense	2,647	2,422
Severance costs	(49)	10
Customer loyalty card programs revenue deferral (a)	21,866	5,037
Other	(6,955)	38
Adjusted EBITDA	<u>\$ 262,854</u>	<u>\$ 249,790</u>
Percent of revenues	4.11%	3.91%

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 May 28, 2011	Thirteen weeks ended May 29, 2010
OPERATING ACTIVITIES:		
Net loss	\$ (63,082)	\$ (73,684)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	117,090	127,500
Lease termination and impairment charges	17,090	13,457
LIFO charges	20,001	20,528
(Gain) loss on sale of assets, net	(4,792)	237
Stock-based compensation expense	3,571	5,485
Loss on debt modifications and retirements, net	22,434	-
Changes in operating assets and liabilities:		
Accounts receivable	1,018	(57,153)
Inventories	(32,486)	42,119
Accounts payable	174,597	271,173
Other assets and liabilities, net	129,893	169,905
Net cash provided by operating activities	385,334	519,567
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(48,755)	(35,212)
Intangible assets acquired	(8,072)	(5,377)
Proceeds from dispositions of assets and investments	8,423	4,030
Net cash used in investing activities	(48,404)	(36,559)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	341,285	-
Net repayments to revolver	(28,000)	(80,000)
Principal payments on long-term debt	(385,865)	(25,804)
Change in zero balance cash accounts	(122,097)	(153,009)
Net proceeds from the issuance of common stock	57	93
Deferred financing costs paid	(2,789)	-
Net cash used in financing activities	(197,409)	(258,720)
Increase in cash and cash equivalents	139,521	224,288
Cash and cash equivalents, beginning of period	91,116	103,594
Cash and cash equivalents, end of period	\$ 230,637	\$ 327,882

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.