

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	August 27, 2011	February 26, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 78,363	\$ 91,116
Accounts receivable, net	949,131	966,457
Inventories, net of LIFO reserve of \$915,014 and \$875,012	3,290,170	3,158,145
Prepaid expenses and other current assets	114,219	195,647
Total current assets	4,431,883	4,411,365
Property, plant and equipment, net	1,960,157	2,039,383
Other intangibles, net	584,914	646,177
Other assets	439,452	458,925
Total assets	<u>\$ 7,416,406</u>	<u>\$ 7,555,850</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 22,987	\$ 63,045
Accounts payable	1,335,408	1,307,872
Accrued salaries, wages and other current liabilities	1,066,158	1,049,406
Total current liabilities	2,424,553	2,420,323
Long-term debt, less current maturities	6,052,353	6,034,525
Lease financing obligations, less current maturities	116,489	122,295
Other noncurrent liabilities	1,181,405	1,190,074
Total liabilities	9,774,800	9,767,217
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock - Series G	1	1
Preferred stock - Series H	166,536	161,650
Common stock	898,740	890,297
Additional paid-in capital	4,275,429	4,281,623
Accumulated deficit	(7,670,139)	(7,514,796)
Accumulated other comprehensive loss	(28,961)	(30,142)
Total stockholders' deficit	(2,358,394)	(2,211,367)
Total liabilities and stockholders' deficit	<u>\$ 7,416,406</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 August 27, 2011	Thirteen weeks ended August 28, 2010
Revenues	\$ 6,271,091	\$ 6,161,752
Costs and expenses:		
Cost of goods sold	4,622,130	4,523,092
Selling, general and administrative expenses	1,603,752	1,626,704
Lease termination and impairment charges	15,118	26,360
Interest expense	130,829	139,716
(Gain) loss on debt modifications and retirements, net	(4,924)	44,003
Gain on sale of assets, net	(848)	(3,973)
	<u>6,366,057</u>	<u>6,355,902</u>
Loss before income taxes	(94,966)	(194,150)
Income tax (benefit) expense	(2,712)	2,826
Net loss	<u>\$ (92,254)</u>	<u>\$ (196,976)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (92,254)	\$ (196,976)
Accretion of redeemable preferred stock	(26)	(26)
Cumulative preferred stock dividends	(2,461)	(2,318)
Loss attributable to common stockholders - basic and diluted	<u>\$ (94,741)</u>	<u>\$ (199,320)</u>
Basic and diluted weighted average shares	<u>885,621</u>	<u>882,758</u>
Basic and diluted loss per share	\$ (0.11)	\$ (0.23)

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars in thousands, except per share amounts)  
(unaudited)

	Twenty-six weeks ended August 27, 2011	Twenty-six weeks ended August 28, 2010
Revenues	\$ 12,661,884	\$ 12,556,088
Costs and expenses:		
Cost of goods sold	9,322,004	9,205,724
Selling, general and administrative expenses	3,189,988	3,249,638
Lease termination and impairment charges	32,208	39,817
Interest expense	261,589	281,335
Loss on debt modifications and retirements, net	17,510	44,003
Gain on sale of assets, net	(5,640)	(3,736)
	<u>12,817,659</u>	<u>12,816,781</u>
Loss before income taxes	(155,775)	(260,693)
Income tax (benefit) expense	(439)	9,967
Net loss	<u>\$ (155,336)</u>	<u>\$ (270,660)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (155,336)	\$ (270,660)
Accretion of redeemable preferred stock	(51)	(51)
Cumulative preferred stock dividends	(4,886)	(4,603)
Loss attributable to common stockholders - basic and diluted	<u>\$ (160,273)</u>	<u>\$ (275,314)</u>
Basic and diluted weighted average shares	<u>884,768</u>	<u>882,245</u>
Basic and diluted loss per share	\$ (0.18)	\$ (0.31)

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirteen weeks ended August 27, 2011	Thirteen weeks ended August 28, 2010
<b>SUPPLEMENTAL OPERATING INFORMATION</b>		
Revenues	\$ 6,271,091	\$ 6,161,752
Cost of goods sold	4,622,130	4,523,092
Gross profit	1,648,961	1,638,660
LIFO charge	20,001	20,528
FIFO gross profit	1,668,962	1,659,188
Gross profit as a percentage of revenues	26.29%	26.59%
LIFO charge as a percentage of revenues	0.32%	0.33%
FIFO gross profit as a percentage of revenues	26.61%	26.93%
Selling, general and administrative expenses	1,603,752	1,626,704
Selling, general and administrative expenses as a percentage of revenues	25.57%	26.40%
Cash interest expense	122,231	128,030
Non-cash interest expense	8,598	11,686
Total interest expense	130,829	139,716
Adjusted EBITDA	184,256	181,244
Adjusted EBITDA as a percentage of revenues	2.94%	2.94%
Net loss	(92,254)	(196,976)
Net loss as a percentage of revenues	-1.47%	-3.20%
Total debt	6,191,829	6,193,520
Invested cash	1,573	50,583
Total debt net of invested cash	6,190,256	6,142,937
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Payments for property, plant and equipment	41,531	37,307
Intangible assets acquired	8,375	4,845
Total cash capital expenditures	49,906	42,152
Equipment received for noncash consideration	1,734	178
Equipment financed under capital leases	819	2,064
Gross capital expenditures	\$ 52,459	\$ 44,394

RITE AID CORPORATION AND SUBSIDIARIES

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

	Twenty-six weeks ended August 27, 2011	Twenty-six weeks ended August 28, 2010
<b>SUPPLEMENTAL OPERATING INFORMATION</b>		
Revenues	\$ 12,661,884	\$ 12,556,088
Cost of goods sold	9,322,004	9,205,724
Gross profit	3,339,880	3,350,364
LIFO charge	40,002	41,056
FIFO gross profit	3,379,882	3,391,420
Gross profit as a percentage of revenues	26.38%	26.68%
LIFO charge as a percentage of revenues	0.32%	0.33%
FIFO gross profit as a percentage of revenues	26.69%	27.01%
Selling, general and administrative expenses	3,189,988	3,249,638
Selling, general and administrative expenses as a percentage of revenues	25.19%	25.88%
Cash interest expense	244,423	257,953
Non-cash interest expense	17,166	23,382
Total interest expense	261,589	281,335
Adjusted EBITDA	447,110	431,034
Adjusted EBITDA as a percentage of revenues	3.53%	3.43%
Net loss	(155,336)	(270,660)
Net loss as a percentage of revenues	-1.23%	-2.16%
Total debt	6,191,829	6,193,520
Invested cash	1,573	50,583
Total debt net of invested cash	6,190,256	6,142,937
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Payments for property, plant and equipment	90,286	72,519
Intangible assets acquired	16,447	10,222
Total cash capital expenditures	106,733	82,741
Equipment received for noncash consideration	1,734	2,206
Equipment financed under capital leases	2,381	2,064
Gross capital expenditures	\$ 110,848	\$ 87,011

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

	Thirteen weeks ended August 27, 2011	Thirteen weeks ended August 28, 2010
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (92,254)	\$ (196,976)
Adjustments:		
Interest expense	130,829	139,716
Income tax (benefit) expense	(2,712)	2,826
Depreciation and amortization	108,712	126,513
LIFO charges	20,001	20,528
Lease termination and impairment charges	15,118	26,360
Stock-based compensation expense	3,952	4,250
Gain on sale of assets, net	(848)	(3,973)
(Gain) loss on debt modifications and retirements, net	(4,924)	44,003
Closed facility liquidation expense	985	1,811
Severance costs	305	-
Customer loyalty card programs revenue deferral (a)	6,885	15,394
Other	(1,793)	792
Adjusted EBITDA	<u>\$ 184,256</u>	<u>\$ 181,244</u>
Percent of revenues	2.94%	2.94%

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)

	Twenty-six weeks ended August 27, 2011	Twenty-six weeks ended August 28, 2010
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (155,336)	\$ (270,660)
Adjustments:		
Interest expense	261,589	281,335
Income tax (benefit) expense	(439)	9,967
Depreciation and amortization	225,802	254,013
LIFO charges	40,002	41,056
Lease termination and impairment charges	32,208	39,817
Stock-based compensation expense	7,523	9,735
Gain on sale of assets, net	(5,640)	(3,736)
Loss on debt modifications and retirements, net	17,510	44,003
Closed facility liquidation expense	3,632	4,233
Severance costs	256	10
Customer loyalty card programs revenue deferral (a)	28,751	20,431
Other	(8,748)	830
Adjusted EBITDA	<u>\$ 447,110</u>	<u>\$ 431,034</u>
Percent of revenues	3.53%	3.43%

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 August 27, 2011	Thirteen weeks ended August 28, 2010
OPERATING ACTIVITIES:		
Net loss	\$ (92,254)	\$ (196,976)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	108,712	126,513
Lease termination and impairment charges	15,118	26,360
LIFO charges	20,001	20,528
Gain on sale of assets, net	(848)	(3,973)
Stock-based compensation expense	3,952	4,250
(Gain) loss on debt modifications and retirements, net	(4,924)	44,003
Changes in operating assets and liabilities:		
Accounts receivable	12,536	65,816
Inventories	(139,804)	(102,285)
Accounts payable	(23,472)	40,205
Other assets and liabilities, net	(30,292)	(30,199)
Net cash used in operating activities	(131,275)	(5,758)
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(41,531)	(37,307)
Intangible assets acquired	(8,375)	(4,845)
Proceeds from dispositions of assets and investments	940	4,891
Net cash used in investing activities	(48,966)	(37,261)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	650,000
Net proceeds from revolver	73,000	-
Principal payments on long-term debt	(49,296)	(743,285)
Change in zero balance cash accounts	3,816	(5,473)
Net proceeds from the issuance of common stock	447	1
Financing fees paid for early debt redemption	-	(19,666)
Deferred financing costs paid	-	(34,028)
Net cash provided by (used in) financing activities	27,967	(152,451)
Decrease in cash and cash equivalents	(152,274)	(195,470)
Cash and cash equivalents, beginning of period	230,637	327,882
Cash and cash equivalents, end of period	\$ 78,363	\$ 132,412



RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Twenty-six weeks ended August 27, 2011	Twenty-six weeks ended August 28, 2010
OPERATING ACTIVITIES:		
Net loss	\$ (155,336)	\$ (270,660)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	225,802	254,013
Lease termination and impairment charges	32,208	39,817
LIFO charges	40,002	41,056
Gain on sale of assets, net	(5,640)	(3,736)
Stock-based compensation expense	7,523	9,735
Loss on debt modifications and retirements, net	17,510	44,003
Changes in operating assets and liabilities:		
Accounts receivable	13,554	8,663
Inventories	(172,290)	(60,166)
Accounts payable	151,125	311,378
Other assets and liabilities, net	99,601	139,706
Net cash provided by operating activities	254,059	513,809
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(90,286)	(72,519)
Intangible assets acquired	(16,447)	(10,222)
Proceeds from dispositions of assets and investments	9,363	8,921
Net cash used in investing activities	(97,370)	(73,820)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	341,285	650,000
Net proceeds from (repayments to) revolver	45,000	(80,000)
Principal payments on long-term debt	(435,161)	(769,089)
Change in zero balance cash accounts	(118,281)	(158,482)
Net proceeds from the issuance of common stock	504	94
Financing fees paid for early debt redemption	-	(19,666)
Deferred financing costs paid	(2,789)	(34,028)
Net cash used in financing activities	(169,442)	(411,171)
(Decrease) increase in cash and cash equivalents	(12,753)	28,818
Cash and cash equivalents, beginning of period	91,116	103,594
Cash and cash equivalents, end of period	\$ 78,363	\$ 132,412

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	\$ 25,800,000	\$ 26,100,000
Same store sales	0.75%	2.00%
Gross capital expenditures	\$ 250,000	\$ 250,000
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (495,000)	\$ (345,000)
Adjustments:		
Interest expense	535,000	530,000
Income tax benefit	(20,000)	(20,000)
Depreciation and amortization	455,000	445,000
LIFO charge	90,000	70,000
Store closing and impairment charges	170,000	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	17,000	14,000
Other	11,000	(3,000)
Adjusted EBITDA	<u>\$ 825,000</u>	<u>\$ 900,000</u>
Diluted loss per share	\$ (0.56)	\$ (0.40)

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