

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	November 26, 2011	February 26, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 148,474	\$ 91,116
Accounts receivable, net	970,218	966,457
Inventories, net of LIFO reserve of \$942,515 and \$875,012	3,389,054	3,158,145
Prepaid expenses and other current assets	109,358	195,647
Total current assets	4,617,104	4,411,365
Property, plant and equipment, net	1,940,470	2,039,383
Other intangibles, net	560,963	646,177
Other assets	438,497	458,925
Total assets	<u>\$ 7,557,034</u>	<u>\$ 7,555,850</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 25,313	\$ 63,045
Accounts payable	1,376,009	1,307,872
Accrued salaries, wages and other current liabilities	1,133,065	1,049,406
Total current liabilities	2,534,387	2,420,323
Long-term debt, less current maturities	6,172,550	6,034,525
Lease financing obligations, less current maturities	113,808	122,295
Other noncurrent liabilities	1,142,134	1,190,074
Total liabilities	9,962,879	9,767,217
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock - Series G	1	1
Preferred stock - Series H	169,034	161,650
Common stock	898,400	890,297
Additional paid-in capital	4,277,215	4,281,623
Accumulated deficit	(7,722,124)	(7,514,796)
Accumulated other comprehensive loss	(28,371)	(30,142)
Total stockholders' deficit	(2,405,845)	(2,211,367)
Total liabilities and stockholders' deficit	<u>\$ 7,557,034</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 November 26, 2011	Thirteen weeks ended November 27, 2010
Revenues	\$ 6,312,584	\$ 6,202,353
Costs and expenses:		
Cost of goods sold	4,641,204	4,561,200
Selling, general and administrative expenses	1,583,098	1,578,142
Lease termination and impairment charges	11,540	17,003
Interest expense	129,927	133,742
Gain on sale of assets, net	(2,172)	(7,050)
	<u>6,363,597</u>	<u>6,283,037</u>
Loss before income taxes	(51,013)	(80,684)
Income tax expense (benefit)	972	(1,613)
Net loss	<u>\$ (51,985)</u>	<u>\$ (79,071)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (51,985)	\$ (79,071)
Accretion of redeemable preferred stock	(26)	(26)
Cumulative preferred stock dividends	(2,498)	(2,354)
Loss attributable to common stockholders - basic and diluted	<u>\$ (54,509)</u>	<u>\$ (81,451)</u>
Basic and diluted weighted average shares	<u>886,629</u>	<u>883,515</u>
Basic and diluted loss per share	\$ (0.06)	\$ (0.09)

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Thirty-nine weeks ended November 26, 2011	Thirty-nine weeks ended November 27, 2010
Revenues	\$ 18,974,468	\$ 18,758,441
Costs and expenses:		
Cost of goods sold	13,963,208	13,766,924
Selling, general and administrative expenses	4,773,086	4,827,780
Lease termination and impairment charges	43,748	56,820
Interest expense	391,516	415,077
Loss on debt modifications and retirements, net	17,510	44,003
Gain on sale of assets, net	(7,812)	(10,786)
	<u>19,181,256</u>	<u>19,099,818</u>
Loss before income taxes	(206,788)	(341,377)
Income tax expense	533	8,354
Net loss	<u>\$ (207,321)</u>	<u>\$ (349,731)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (207,321)	\$ (349,731)
Accretion of redeemable preferred stock	(77)	(77)
Cumulative preferred stock dividends	(7,384)	(6,957)
Loss attributable to common stockholders - basic and diluted	<u>\$ (214,782)</u>	<u>\$ (356,765)</u>
Basic and diluted weighted average shares	<u>885,388</u>	<u>882,668</u>
Basic and diluted loss per share	\$ (0.24)	\$ (0.40)

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirteen weeks ended November 26, 2011	Thirteen weeks ended November 27, 2010
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 6,312,584	\$ 6,202,353
Cost of goods sold	4,641,204	4,561,200
Gross profit	1,671,380	1,641,153
LIFO charge	27,501	3,024
FIFO gross profit	1,698,881	1,644,177
Gross profit as a percentage of revenues	26.48%	26.46%
LIFO charge as a percentage of revenues	0.44%	0.05%
FIFO gross profit as a percentage of revenues	26.91%	26.51%
Selling, general and administrative expenses	1,583,098	1,578,142
Selling, general and administrative expenses as a percentage of revenues	25.08%	25.44%
Cash interest expense	121,321	123,489
Non-cash interest expense	8,606	10,253
Total interest expense	129,927	133,742
Adjusted EBITDA	221,460	212,499
Adjusted EBITDA as a percentage of revenues	3.51%	3.43%
Net loss	(51,985)	(79,071)
Net loss as a percentage of revenues	-0.82%	-1.27%
Total debt	6,311,671	6,249,094
Invested cash	1,258	1,371
Total debt net of invested cash	6,310,413	6,247,723
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	55,852	31,864
Intangible assets acquired	11,643	5,849
Total cash capital expenditures	67,495	37,713
Equipment received for noncash consideration	1,358	222
Equipment financed under capital leases	4,095	772
Gross capital expenditures	\$ 72,948	\$ 38,707

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirty-nine weeks ended November 26, 2011	Thirty-nine weeks ended November 27, 2010
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 18,974,468	\$ 18,758,441
Cost of goods sold	13,963,208	13,766,924
Gross profit	5,011,260	4,991,517
LIFO charge	67,503	44,080
FIFO gross profit	5,078,763	5,035,597
Gross profit as a percentage of revenues	26.41%	26.61%
LIFO charge as a percentage of revenues	0.36%	0.23%
FIFO gross profit as a percentage of revenues	26.77%	26.84%
Selling, general and administrative expenses	4,773,086	4,827,780
Selling, general and administrative expenses as a percentage of revenues	25.16%	25.74%
Cash interest expense	365,744	381,442
Non-cash interest expense	25,772	33,635
Total interest expense	391,516	415,077
Adjusted EBITDA	668,570	643,533
Adjusted EBITDA as a percentage of revenues	3.52%	3.43%
Net loss	(207,321)	(349,731)
Net loss as a percentage of revenues	-1.09%	-1.86%
Total debt	6,311,671	6,249,094
Invested cash	1,258	1,371
Total debt net of invested cash	6,310,413	6,247,723
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	146,138	104,383
Intangible assets acquired	28,090	16,071
Total cash capital expenditures	174,228	120,454
Equipment received for noncash consideration	3,092	2,428
Equipment financed under capital leases	6,476	2,836
Gross capital expenditures	\$ 183,796	\$ 125,718

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

	Thirteen weeks ended November 26, 2011	Thirteen weeks ended November 27, 2010
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (51,985)	\$ (79,071)
Adjustments:		
Interest expense	129,927	133,742
Income tax expense (benefit)	972	(1,613)
Depreciation and amortization	107,579	124,985
LIFO charges	27,501	3,024
Lease termination and impairment charges	11,540	17,003
Stock-based compensation expense	4,089	4,167
Gain on sale of assets, net	(2,172)	(7,050)
Closed facility liquidation expense	1,527	2,386
Severance costs	-	2,019
Customer loyalty card program revenue deferral (a)	(5,846)	13,807
Other	(1,672)	(900)
Adjusted EBITDA	<u>\$ 221,460</u>	<u>\$ 212,499</u>
Percent of revenues	3.51%	3.43%

Notes:

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

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

	Thirty-nine weeks ended November 26, 2011	Thirty-nine weeks ended November 27, 2010
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (207,321)	\$ (349,731)
Adjustments:		
Interest expense	391,516	415,077
Income tax expense	533	8,354
Depreciation and amortization	333,381	378,998
LIFO charges	67,503	44,080
Lease termination and impairment charges	43,748	56,820
Stock-based compensation expense	11,612	13,902
Gain on sale of assets, net	(7,812)	(10,786)
Loss on debt modifications and retirements, net	17,510	44,003
Closed facility liquidation expense	5,159	6,619
Severance costs	256	2,029
Customer loyalty card program revenue deferral (a)	22,905	34,238
Other	(10,420)	(70)
Adjusted EBITDA	<u>\$ 668,570</u>	<u>\$ 643,533</u>
Percent of revenues	3.52%	3.43%

Notes:

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

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended November 26, 2011	Thirteen weeks ended November 27, 2010
OPERATING ACTIVITIES:		
Net loss	\$ (51,985)	\$ (79,071)
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	107,579	124,985
Lease termination and impairment charges	11,540	17,003
LIFO charges	27,501	3,024
Gain on sale of assets, net	(2,172)	(7,050)
Stock-based compensation expense	4,089	4,167
Changes in operating assets and liabilities:		
Accounts receivable	(21,190)	(27,633)
Inventories	(126,646)	(76,330)
Accounts payable	28,800	(38,648)
Other assets and liabilities, net	24,466	33,146
Net cash provided by (used in) operating activities	<u>1,982</u>	<u>(46,407)</u>
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(55,852)	(31,864)
Intangible assets acquired	(11,643)	(5,849)
Proceeds from sale-leaseback transactions	2,428	-
Proceeds from dispositions of assets and investments	7,592	8,345
Net cash used in investing activities	<u>(57,475)</u>	<u>(29,368)</u>
FINANCING ACTIVITIES:		
Net proceeds from revolver	118,000	58,000
Principal payments on long-term debt	(4,392)	(6,147)
Change in zero balance cash accounts	11,934	13,789
Net proceeds from the issuance of common stock	62	7
Deferred financing costs paid	-	(244)
Net cash provided by financing activities	<u>125,604</u>	<u>65,405</u>
Increase (decrease) in cash and cash equivalents	<u>70,111</u>	<u>(10,370)</u>
Cash and cash equivalents, beginning of period	78,363	132,412
Cash and cash equivalents, end of period	<u>\$ 148,474</u>	<u>\$ 122,042</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirty-nine weeks ended November 26, 2011	Thirty-nine weeks ended November 27, 2010
OPERATING ACTIVITIES:		
Net loss	\$ (207,321)	\$ (349,731)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	333,381	378,998
Lease termination and impairment charges	43,748	56,820
LIFO charges	67,503	44,080
Gain on sale of assets, net	(7,812)	(10,786)
Stock-based compensation expense	11,612	13,902
Loss on debt modifications and retirements, net	17,510	44,003
Changes in operating assets and liabilities:		
Accounts receivable	(7,636)	(18,970)
Inventories	(298,936)	(136,496)
Accounts payable	179,925	272,730
Other assets and liabilities, net	124,067	172,852
Net cash provided by operating activities	256,041	467,402
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(146,138)	(104,383)
Intangible assets acquired	(28,090)	(16,071)
Proceeds from sale-leaseback transactions	2,428	-
Proceeds from dispositions of assets and investments	16,955	17,266
Net cash used in investing activities	(154,845)	(103,188)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	341,285	650,000
Net proceeds from (repayments to) revolver	163,000	(22,000)
Principal payments on long-term debt	(439,553)	(775,236)
Change in zero balance cash accounts	(106,347)	(144,693)
Net proceeds from the issuance of common stock	566	101
Financing fees paid for early debt redemption	-	(19,666)
Deferred financing costs paid	(2,789)	(34,272)
Net cash used in financing activities	(43,838)	(345,766)
Increase in cash and cash equivalents	57,358	18,448
Cash and cash equivalents, beginning of period	91,116	103,594
Cash and cash equivalents, end of period	\$ 148,474	\$ 122,042

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	\$ 25,850,000	\$ 26,000,000
Same store sales	1.15%	1.75%
Gross capital expenditures	\$ 250,000	\$ 250,000
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (440,000)	\$ (325,000)
Adjustments:		
Interest expense	535,000	530,000
Income tax benefit	(10,000)	(15,000)
Depreciation and amortization	445,000	440,000
LIFO charge	110,000	90,000
Store closing and impairment charges	150,000	140,000
Stock-based compensation expense	16,000	15,000
Customer loyalty card program revenue deferral (a)	35,000	25,000
Loss on debt modification	17,000	17,000
Other	7,000	(7,000)
Adjusted EBITDA	<u>\$ 865,000</u>	<u>\$ 910,000</u>
Diluted loss per share	\$ (0.50)	\$ (0.37)

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