

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	March 3, 2012	February 26, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 162,285	\$ 91,116
Accounts receivable, net	1,013,233	966,457
Inventories, net of LIFO reserve of \$1,063,123 and \$875,012	3,138,455	3,158,145
Prepaid expenses and other current assets	190,613	195,647
Total current assets	4,504,586	4,411,365
Property, plant and equipment, net	1,902,021	2,039,383
Other intangibles, net	528,775	646,177
Other assets	428,909	458,925
Total assets	<u>\$ 7,364,291</u>	<u>\$ 7,555,850</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 79,421	\$ 63,045
Accounts payable	1,426,391	1,307,872
Accrued salaries, wages and other current liabilities	1,064,507	1,049,406
Total current liabilities	2,570,319	2,420,323
Long-term debt, less current maturities	6,141,773	6,034,525
Lease financing obligations, less current maturities	107,007	122,295
Other noncurrent liabilities	1,131,948	1,190,074
Total liabilities	9,951,047	9,767,217
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock - Series G	1	1
Preferred stock - Series H	171,569	161,650
Common stock	898,687	890,297
Additional paid-in capital	4,278,988	4,281,623
Accumulated deficit	(7,883,367)	(7,514,796)
Accumulated other comprehensive loss	(52,634)	(30,142)
Total stockholders' deficit	(2,586,756)	(2,211,367)
Total liabilities and stockholders' deficit	<u>\$ 7,364,291</u>	<u>\$ 7,555,850</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Fourteen weeks ended March 3, 2012	Thirteen weeks ended February 26, 2011
Revenues	\$ 7,146,754	\$ 6,456,466
Costs and expenses:		
Cost of goods sold	5,364,679	4,755,479
Selling, general and administrative expenses	1,758,325	1,630,053
Lease termination and impairment charges	56,305	154,073
Interest expense	137,739	132,504
Loss on debt modifications and retirements, net	16,066	-
Gain on sale of assets, net	(891)	(11,438)
	<u>7,332,223</u>	<u>6,660,671</u>
Loss before income taxes	(185,469)	(204,205)
Income tax (benefit) expense	(24,219)	1,488
Net loss	<u>\$ (161,250)</u>	<u>\$ (205,693)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (161,250)	\$ (205,693)
Accretion of redeemable preferred stock	(25)	(25)
Cumulative preferred stock dividends	(2,535)	(2,389)
Loss attributable to common stockholders - basic and diluted	<u>\$ (163,810)</u>	<u>\$ (208,107)</u>
Basic and diluted weighted average shares	<u>887,020</u>	<u>883,784</u>
Basic and diluted loss per share	\$ (0.18)	\$ (0.24)

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(unaudited)

	Fifty-three weeks ended March 3, 2012	Fifty-two weeks ended February 26, 2011
Revenues	\$ 26,121,222	\$ 25,214,907
Costs and expenses:		
Cost of goods sold	19,327,887	18,522,403
Selling, general and administrative expenses	6,531,411	6,457,833
Lease termination and impairment charges	100,053	210,893
Interest expense	529,255	547,581
Loss on debt modifications and retirements, net	33,576	44,003
Gain on sale of assets, net	(8,703)	(22,224)
	<u>26,513,479</u>	<u>25,760,489</u>
Loss before income taxes	(392,257)	(545,582)
Income tax (benefit) expense	(23,686)	9,842
Net loss	<u>\$ (368,571)</u>	<u>\$ (555,424)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (368,571)	\$ (555,424)
Accretion of redeemable preferred stock	(102)	(102)
Cumulative preferred stock dividends	(9,919)	(9,346)
Loss attributable to common stockholders - basic and diluted	<u>\$ (378,592)</u>	<u>\$ (564,872)</u>
Basic and diluted weighted average shares	<u>885,819</u>	<u>882,947</u>
Basic and diluted loss per share	\$ (0.43)	\$ (0.64)

RITE AID CORPORATION AND SUBSIDIARIES

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

	Fourteen weeks ended March 3, 2012	Thirteen weeks ended February 26, 2011
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 7,146,754	\$ 6,456,466
Cost of goods sold	5,364,679	4,755,479
Gross profit	1,782,075	1,700,987
LIFO charge	121,219	825
FIFO gross profit	1,903,294	1,701,812
Gross profit as a percentage of revenues	24.94%	26.35%
LIFO charge as a percentage of revenues	1.70%	0.01%
FIFO gross profit as a percentage of revenues	26.63%	26.36%
Selling, general and administrative expenses	1,758,325	1,630,053
Selling, general and administrative expenses as a percentage of revenues	24.60%	25.25%
Cash interest expense	128,742	123,310
Non-cash interest expense	8,997	9,194
Total interest expense	137,739	132,504
Adjusted EBITDA	274,332	215,429
Adjusted EBITDA as a percentage of revenues	3.84%	3.34%
Net loss	(161,250)	(205,693)
Net loss as a percentage of revenues	-2.26%	-3.19%
Total debt	6,328,201	6,219,865
Invested cash	58,753	1,653
Total debt net of invested cash	6,269,448	6,218,212
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	68,866	57,904
Intangible assets acquired	7,043	8,162
Total cash capital expenditures	75,909	66,066
Equipment received for noncash consideration	524	1,048
Equipment financed under capital leases	576	1,786
Gross capital expenditures	\$ 77,009	\$ 68,900

RITE AID CORPORATION AND SUBSIDIARIES

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

	Fifty-three weeks ended March 3, 2012	Fifty-two weeks ended February 26, 2011
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 26,121,222	\$ 25,214,907
Cost of goods sold	19,327,887	18,522,403
Gross profit	6,793,335	6,692,504
LIFO charge	188,722	44,905
FIFO gross profit	6,982,057	6,737,409
Gross profit as a percentage of revenues	26.01%	26.54%
LIFO charge as a percentage of revenues	0.72%	0.18%
FIFO gross profit as a percentage of revenues	26.73%	26.72%
Selling, general and administrative expenses	6,531,411	6,457,833
Selling, general and administrative expenses as a percentage of revenues	25.00%	25.61%
Cash interest expense	494,486	504,752
Non-cash interest expense	34,769	42,829
Total interest expense	529,255	547,581
Adjusted EBITDA	942,902	858,962
Adjusted EBITDA as a percentage of revenues	3.61%	3.41%
Net loss	(368,571)	(555,424)
Net loss as a percentage of revenues	-1.41%	-2.20%
Total debt	6,328,201	6,219,865
Invested cash	58,753	1,653
Total debt net of invested cash	6,269,448	6,218,212
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	215,004	162,287
Intangible assets acquired	35,133	24,233
Total cash capital expenditures	250,137	186,520
Equipment received for noncash consideration	3,616	3,476
Equipment financed under capital leases	7,052	4,622
Gross capital expenditures	\$ 260,805	\$ 194,618

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

	Fourteen weeks ended March 3, 2012	Thirteen weeks ended February 26, 2011
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (161,250)	\$ (205,693)
Adjustments:		
Interest expense	137,739	132,504
Income tax (benefit) expense	(24,219)	1,488
Depreciation and amortization	107,201	126,548
LIFO charges	121,219	825
Lease termination and impairment charges	56,305	154,073
Stock-based compensation expense	4,249	3,434
Gain on sale of assets, net	(891)	(11,438)
Loss on debt modifications and retirements, net	16,066	-
Closed facility liquidation expense	1,346	3,262
Severance costs	-	2,854
Customer loyalty card program revenue deferral (a)	7,951	7,431
Other	8,616	141
Adjusted EBITDA	<u>\$ 274,332</u>	<u>\$ 215,429</u>
Percent of revenues	3.84%	3.34%

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)

	Fifty-three weeks ended March 3, 2012	Fifty-two weeks ended February 26, 2011
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (368,571)	\$ (555,424)
Adjustments:		
Interest expense	529,255	547,581
Income tax (benefit) expense	(23,686)	9,842
Depreciation and amortization	440,582	505,546
LIFO charges	188,722	44,905
Lease termination and impairment charges	100,053	210,893
Stock-based compensation expense	15,861	17,336
Gain on sale of assets, net	(8,703)	(22,224)
Loss on debt modifications and retirements, net	33,576	44,003
Closed facility liquidation expense	6,505	9,881
Severance costs	256	4,883
Customer loyalty card program revenue deferral (a)	30,856	41,669
Other	(1,804)	71
Adjusted EBITDA	<u>\$ 942,902</u>	<u>\$ 858,962</u>
Percent of revenues	3.61%	3.41%

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)

	Fourteen weeks ended March 3, 2012	Thirteen weeks ended February 26, 2011
OPERATING ACTIVITIES:		
Net loss	\$ (161,250)	\$ (205,693)
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	107,201	126,548
Lease termination and impairment charges	56,305	154,073
LIFO charges	121,219	825
Gain on sale of assets, net	(891)	(11,438)
Stock-based compensation expense	4,249	3,434
Loss on debt modifications and retirements, net	16,066	-
Changes in operating assets and liabilities:		
Accounts receivable	(41,145)	8,015
Inventories	129,001	171,607
Accounts payable	(33,623)	(116,614)
Other assets and liabilities, net	(186,636)	(202,310)
Net cash provided by (used in) operating activities	10,496	(71,553)
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(68,866)	(57,904)
Intangible assets acquired	(7,043)	(8,162)
Proceeds from sale-leaseback transactions	3,610	-
Proceeds from dispositions of assets and investments	5,975	12,577
Net cash used in investing activities	(66,324)	(53,489)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	481,000	-
Net repayments to revolver	(55,000)	(30,000)
Principal payments on long-term debt	(408,820)	(4,470)
Change in zero balance cash accounts	73,509	129,036
Net proceeds from the issuance of common stock	348	125
Financing fees paid for early debt redemption	(11,778)	-
Deferred financing costs paid	(9,620)	(575)
Net cash provided by financing activities	69,639	94,116
Increase (decrease) in cash and cash equivalents	13,811	(30,926)
Cash and cash equivalents, beginning of period	148,474	122,042
Cash and cash equivalents, end of period	\$ 162,285	\$ 91,116

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Fifty-three weeks ended March 3, 2012	Fifty-two weeks ended February 26, 2011
OPERATING ACTIVITIES:		
Net loss	\$ (368,571)	\$ (555,424)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	440,582	505,546
Lease termination and impairment charges	100,053	210,893
LIFO charges	188,722	44,905
Gain on sale of assets, net	(8,703)	(22,224)
Stock-based compensation expense	15,861	17,336
Loss on debt modifications and retirements, net	33,576	44,003
Changes in operating assets and liabilities:		
Accounts receivable	(48,781)	(10,955)
Inventories	(169,935)	35,111
Accounts payable	146,302	156,116
Other assets and liabilities, net	(62,569)	(29,458)
Net cash provided by operating activities	266,537	395,849
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(215,004)	(162,287)
Intangible assets acquired	(35,133)	(24,233)
Proceeds from sale-leaseback transactions	6,038	-
Proceeds from dispositions of assets and investments	22,930	29,843
Net cash used in investing activities	(221,169)	(156,677)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	822,285	650,000
Net proceeds from (repayments to) revolver	108,000	(52,000)
Principal payments on long-term debt	(848,373)	(779,706)
Change in zero balance cash accounts	(32,838)	(15,657)
Net proceeds from the issuance of common stock	914	226
Financing fees paid for early debt redemption	(11,778)	(19,666)
Deferred financing costs paid	(12,409)	(34,847)
Net cash provided by (used in) financing activities	25,801	(251,650)
Increase (decrease) in cash and cash equivalents	71,169	(12,478)
Cash and cash equivalents, beginning of period	91,116	103,594
Cash and cash equivalents, end of period	\$ 162,285	\$ 91,116

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET LOSS GUIDANCE TO ADJUSTED EBITDA GUIDANCE
YEAR ENDING MARCH 2, 2013
(In thousands, except per share amounts)

	Guidance Range	
	Low	High
Sales	\$ 25,400,000	\$ 25,800,000
Same store sales	0.0%	1.5%
Gross capital expenditures	\$ 300,000	\$ 300,000
Sale and leaseback proceeds	\$ -	\$ -
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (267,000)	\$ (103,000)
Adjustments:		
Interest expense	530,000	525,000
Income tax expense	5,000	-
Depreciation and amortization	415,000	410,000
LIFO charge	90,000	60,000
Store closing and impairment charges	110,000	100,000
Stock-based compensation expense	18,000	16,000
Customer loyalty card program revenue deferral (a)	22,000	18,000
Loss on debt modification	-	-
Other	2,000	(1,000)
Adjusted EBITDA	<u>\$ 925,000</u>	<u>\$ 1,025,000</u>
Diluted loss per share	\$ (0.31)	\$ (0.13)

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