

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	September 1, 2012	March 3, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 94,325	\$ 162,285
Accounts receivable, net	926,428	1,013,233
Inventories, net of LIFO reserve of \$1,090,625 and \$1,063,123	3,022,707	3,138,455
Prepaid expenses and other current assets	197,467	190,613
Total current assets	4,240,927	4,504,586
Property, plant and equipment, net	1,899,866	1,902,021
Other intangibles, net	482,453	528,775
Other assets	327,332	428,909
Total assets	<u>\$ 6,950,578</u>	<u>\$ 7,364,291</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 228,134	\$ 79,421
Accounts payable	1,258,460	1,426,391
Accrued salaries, wages and other current liabilities	1,138,588	1,064,507
Total current liabilities	2,625,182	2,570,319
Long-term debt, less current maturities	5,829,582	6,141,773
Lease financing obligations, less current maturities	101,195	107,007
Other noncurrent liabilities	1,037,942	1,131,948
Total liabilities	9,593,901	9,951,047
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock - Series G	1	1
Preferred stock - Series H	176,755	171,569
Common stock	903,786	898,687
Additional paid-in capital	4,276,950	4,278,988
Accumulated deficit	(7,950,220)	(7,883,367)
Accumulated other comprehensive loss	(50,595)	(52,634)
Total stockholders' deficit	(2,643,323)	(2,586,756)
Total liabilities and stockholders' deficit	<u>\$ 6,950,578</u>	<u>\$ 7,364,291</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Thirteen weeks ended September 1, 2012	Thirteen weeks ended August 27, 2011
Revenues	\$ 6,230,884	\$ 6,271,091
Costs and expenses:		
Cost of goods sold	4,520,463	4,622,130
Selling, general and administrative expenses	1,618,169	1,603,752
Lease termination and impairment charges	7,783	15,118
Interest expense	129,054	130,829
Gain on debt modifications and retirements, net	-	(4,924)
Gain on sale of assets, net	(2,954)	(848)
	<u>6,272,515</u>	<u>6,366,057</u>
Loss before income taxes	(41,631)	(94,966)
Income tax benefit	(2,866)	(2,712)
Net loss	<u>\$ (38,765)</u>	<u>\$ (92,254)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (38,765)	\$ (92,254)
Accretion of redeemable preferred stock	(26)	(26)
Cumulative preferred stock dividends	(2,612)	(2,461)
Loss attributable to common stockholders - basic and diluted	<u>\$ (41,403)</u>	<u>\$ (94,741)</u>
Basic and diluted weighted average shares	<u>889,645</u>	<u>885,621</u>
Basic and diluted loss per share	\$ (0.05)	\$ (0.11)

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Twenty-six weeks ended September 1, 2012	Twenty-six weeks ended August 27, 2011
Revenues	\$ 12,699,171	\$ 12,661,884
Costs and expenses:		
Cost of goods sold	9,239,979	9,322,004
Selling, general and administrative expenses	3,306,235	3,189,988
Lease termination and impairment charges	19,926	32,208
Interest expense	259,642	261,589
Loss on debt modifications and retirements, net	17,842	17,510
Gain on sale of assets, net	(13,005)	(5,640)
	<u>12,830,619</u>	<u>12,817,659</u>
Loss before income taxes	(131,448)	(155,775)
Income tax benefit	(64,595)	(439)
Net loss	<u>\$ (66,853)</u>	<u>\$ (155,336)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (66,853)	\$ (155,336)
Accretion of redeemable preferred stock	(51)	(51)
Cumulative preferred stock dividends	(5,186)	(4,886)
Loss attributable to common stockholders - basic and diluted	<u>\$ (72,090)</u>	<u>\$ (160,273)</u>
Basic and diluted weighted average shares	<u>888,573</u>	<u>884,768</u>
Basic and diluted loss per share	\$ (0.08)	\$ (0.18)

RITE AID CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(unaudited)

	Thirteen weeks ended September 1, 2012	Thirteen weeks ended August 27, 2011
Net loss	\$ (38,765)	\$ (92,254)
Other comprehensive income:		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost	1,019	591
Total other comprehensive income	\$ 1,019	\$ 591
Comprehensive loss	<u>\$ (37,746)</u>	<u>\$ (91,663)</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(unaudited)

	Twenty-six weeks ended September 1, 2012	Twenty-six weeks ended August 27, 2011
Net loss	\$ (66,853)	\$ (155,336)
Other comprehensive income:		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost	2,039	1,181
Total other comprehensive income	\$ 2,039	\$ 1,181
Comprehensive loss	<u>\$ (64,814)</u>	<u>\$ (154,155)</u>

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirteen weeks ended September 1, 2012	Thirteen weeks ended August 27, 2011
<b>SUPPLEMENTAL OPERATING INFORMATION</b>		
Revenues	\$ 6,230,884	\$ 6,271,091
Cost of goods sold	4,520,463	4,622,130
Gross profit	1,710,421	1,648,961
LIFO charge	8,752	20,001
FIFO gross profit	1,719,173	1,668,962
Gross profit as a percentage of revenues	27.45%	26.29%
LIFO charge as a percentage of revenues	0.14%	0.32%
FIFO gross profit as a percentage of revenues	27.59%	26.61%
Selling, general and administrative expenses	1,618,169	1,603,752
Selling, general and administrative expenses as a percentage of revenues	25.97%	25.57%
Cash interest expense	121,383	122,231
Non-cash interest expense	7,671	8,598
Total interest expense	129,054	130,829
Adjusted EBITDA	218,653	184,256
Adjusted EBITDA as a percentage of revenues	3.51%	2.94%
Net loss	(38,765)	(92,254)
Net loss as a percentage of revenues	-0.62%	-1.47%
Total debt	6,158,911	6,191,829
Invested cash	831	1,573
Total debt net of invested cash	6,158,080	6,190,256
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Payments for property, plant and equipment	70,211	41,531
Intangible assets acquired	11,009	8,375
Total cash capital expenditures	81,220	49,906
Equipment received for noncash consideration	2,132	1,734
Equipment financed under capital leases	1,369	819
Gross capital expenditures	\$ 84,721	\$ 52,459

RITE AID CORPORATION AND SUBSIDIARIES

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

	Twenty-six weeks ended September 1, 2012	Twenty-six weeks ended August 27, 2011
<b>SUPPLEMENTAL OPERATING INFORMATION</b>		
Revenues	\$ 12,699,171	\$ 12,661,884
Cost of goods sold	9,239,979	9,322,004
Gross profit	3,459,192	3,339,880
LIFO charge	27,502	40,002
FIFO gross profit	3,486,694	3,379,882
Gross profit as a percentage of revenues	27.24%	26.38%
LIFO charge as a percentage of revenues	0.22%	0.32%
FIFO gross profit as a percentage of revenues	27.46%	26.69%
Selling, general and administrative expenses	3,306,235	3,189,988
Selling, general and administrative expenses as a percentage of revenues	26.04%	25.19%
Cash interest expense	244,210	244,423
Non-cash interest expense	15,432	17,166
Total interest expense	259,642	261,589
Adjusted EBITDA	492,818	447,110
Adjusted EBITDA as a percentage of revenues	3.88%	3.53%
Net loss	(66,853)	(155,336)
Net loss as a percentage of revenues	-0.53%	-1.23%
Total debt	6,158,911	6,191,829
Invested cash	831	1,573
Total debt net of invested cash	6,158,080	6,190,256
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Payments for property, plant and equipment	148,211	90,286
Intangible assets acquired	19,967	16,447
Total cash capital expenditures	168,178	106,733
Equipment received for noncash consideration	2,132	1,734
Equipment financed under capital leases	5,234	2,381
Gross capital expenditures	\$ 175,544	\$ 110,848

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

	Thirteen weeks ended September 1, 2012	Thirteen weeks ended August 27, 2011
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (38,765)	\$ (92,254)
Adjustments:		
Interest expense	129,054	130,829
Income tax benefit	(2,866)	(2,712)
Depreciation and amortization	101,999	108,712
LIFO charges	8,752	20,001
Lease termination and impairment charges	7,783	15,118
Stock-based compensation expense	4,695	3,952
Gain on sale of assets, net	(2,954)	(848)
Gain on debt modifications and retirements, net	-	(4,924)
Closed facility liquidation expense	1,411	985
Severance costs	(72)	305
Customer loyalty card program revenue deferral	4,813	6,885
Other	4,803	(1,793)
Adjusted EBITDA	<u>\$ 218,653</u>	<u>\$ 184,256</u>
Percent of revenues	3.51%	2.94%



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

	Twenty-six weeks ended September 1, 2012	Twenty-six weeks ended August 27, 2011
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (66,853)	\$ (155,336)
Adjustments:		
Interest expense	259,642	261,589
Income tax benefit	(64,595)	(439)
Reduction of tax indemnification asset	60,237	-
Depreciation and amortization	208,370	225,802
LIFO charges	27,502	40,002
Lease termination and impairment charges	19,926	32,208
Stock-based compensation expense	8,653	7,523
Gain on sale of assets, net	(13,005)	(5,640)
Loss on debt modifications and retirements, net	17,842	17,510
Closed facility liquidation expense	2,867	3,632
Severance costs	(72)	256
Customer loyalty card program revenue deferral	27,993	28,751
Other	4,311	(8,748)
Adjusted EBITDA	<u>\$ 492,818</u>	<u>\$ 447,110</u>
Percent of revenues	3.88%	3.53%

RITE AID CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)  
(unaudited)

	Thirteen weeks ended September 1, 2012	Thirteen weeks ended August 27, 2011
OPERATING ACTIVITIES:		
Net loss	\$ (38,765)	\$ (92,254)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	101,999	108,712
Lease termination and impairment charges	7,783	15,118
LIFO charges	8,752	20,001
Gain on sale of assets, net	(2,954)	(848)
Stock-based compensation expense	4,695	3,952
Gain on debt modifications and retirements, net	-	(4,924)
Changes in operating assets and liabilities:		
Accounts receivable	(9,996)	12,536
Inventories	(10,214)	(139,804)
Accounts payable	(78,413)	(23,472)
Other assets and liabilities, net	(15,773)	(30,292)
Net cash used in operating activities	(32,886)	(131,275)
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(70,211)	(41,531)
Intangible assets acquired	(11,009)	(8,375)
Proceeds from sale-leaseback transactions	3,950	-
Proceeds from dispositions of assets and investments	4,617	940
Net cash used in investing activities	(72,653)	(48,966)
FINANCING ACTIVITIES:		
Net proceeds from revolver	-	73,000
Principal payments on long-term debt	(7,686)	(49,296)
Change in zero balance cash accounts	(6,580)	3,816
Net proceeds from the issuance of common stock	470	447
Deferred financing costs paid	(1,114)	-
Net cash (used in) provided by financing activities	(14,910)	27,967
Decrease in cash and cash equivalents	(120,449)	(152,274)
Cash and cash equivalents, beginning of period	214,774	230,637
Cash and cash equivalents, end of period	\$ 94,325	\$ 78,363

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Twenty-six weeks ended September 1, 2012	Twenty-six weeks ended August 27, 2011
OPERATING ACTIVITIES:		
Net loss	\$ (66,853)	\$ (155,336)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	208,370	225,802
Lease termination and impairment charges	19,926	32,208
LIFO charges	27,502	40,002
Gain on sale of assets, net	(13,005)	(5,640)
Stock-based compensation expense	8,653	7,523
Loss on debt modifications and retirements, net	17,842	17,510
Changes in operating assets and liabilities:		
Accounts receivable	86,389	13,554
Inventories	87,779	(172,290)
Accounts payable	(117,116)	151,125
Other assets and liabilities, net	71,230	99,601
Net cash provided by operating activities	<u>330,717</u>	<u>254,059</u>
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(148,211)	(90,286)
Intangible assets acquired	(19,967)	(16,447)
Proceeds from sale-leaseback transactions	3,950	-
Proceeds from dispositions of assets and investments	15,900	9,363
Net cash used in investing activities	<u>(148,328)</u>	<u>(97,370)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	426,263	341,285
Net (repayments to) proceeds from revolver	(136,000)	45,000
Principal payments on long-term debt	(471,323)	(435,161)
Change in zero balance cash accounts	(48,481)	(118,281)
Net proceeds from the issuance of common stock	1,004	504
Financing fees paid for early debt redemption	(11,069)	-
Deferred financing costs paid	(10,743)	(2,789)
Net cash used in financing activities	<u>(250,349)</u>	<u>(169,442)</u>
Decrease in cash and cash equivalents	(67,960)	(12,753)
Cash and cash equivalents, beginning of period	162,285	91,116
Cash and cash equivalents, end of period	<u>\$ 94,325</u>	<u>\$ 78,363</u>

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)

	<b>Guidance Range</b>	
	<b>Low</b>	<b>High</b>
Sales	\$ 25,100,000	\$ 25,400,000
Same store sales (a)	-1.0%	0.25%
Gross capital expenditures	\$ 300,000	\$ 300,000
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (196,000)	\$ (69,000)
Adjustments:		
Interest expense	525,000	520,000
Income tax benefit	(102,000)	(104,000)
Reduction of tax indemnification asset	95,000	95,000
Depreciation and amortization	415,000	410,000
LIFO charge	70,000	40,000
Store closing and impairment charges	100,000	90,000
Stock-based compensation expense	18,000	16,000
Loss on debt modification	18,000	18,000
Customer loyalty card program revenue deferral	28,000	24,000
Other	(6,000)	(15,000)
Adjusted EBITDA	<u>\$ 965,000</u>	<u>\$ 1,025,000</u>
Diluted loss per share	\$ (0.23)	\$ (0.09)

(a) Reflects approximately 650 basis points reduction in pharmacy same store sales from new generic introductions.