

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	December 1, 2012	March 3, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 263,641	\$ 162,285
Accounts receivable, net	917,033	1,013,233
Inventories, net of LIFO reserve of \$1,090,625 and \$1,063,123	3,096,988	3,138,455
Prepaid expenses and other current assets	194,930	190,613
Total current assets	4,472,592	4,504,586
Property, plant and equipment, net	1,901,542	1,902,021
Other intangibles, net	476,413	528,775
Other assets	335,595	428,909
Total assets	<u>\$ 7,186,142</u>	<u>\$ 7,364,291</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 229,041	\$ 79,421
Accounts payable	1,437,728	1,426,391
Accrued salaries, wages and other current liabilities	1,176,903	1,064,507
Total current liabilities	2,843,672	2,570,319
Long-term debt, less current maturities	5,827,936	6,141,773
Lease financing obligations, less current maturities	95,434	107,007
Other noncurrent liabilities	995,214	1,131,948
Total liabilities	9,762,256	9,951,047
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock - Series G	1	1
Preferred stock - Series H	179,406	171,569
Common stock	903,827	898,687
Additional paid-in capital	4,278,576	4,278,988
Accumulated deficit	(7,888,349)	(7,883,367)
Accumulated other comprehensive loss	(49,575)	(52,634)
Total stockholders' deficit	(2,576,114)	(2,586,756)
Total liabilities and stockholders' deficit	<u>\$ 7,186,142</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 December 1, 2012	Thirteen weeks ended November 26, 2011
Revenues	\$ 6,237,847	\$ 6,312,584
Costs and expenses:		
Cost of goods sold	4,426,526	4,641,204
Selling, general and administrative expenses	1,612,198	1,583,098
Lease termination and impairment charges	14,366	11,540
Interest expense	128,371	129,927
Gain on sale of assets, net	(6,262)	(2,172)
	<u>6,175,199</u>	<u>6,363,597</u>
Income (loss) before income taxes	62,648	(51,013)
Income tax expense	777	972
Net income (loss)	<u>\$ 61,871</u>	<u>\$ (51,985)</u>
Basic and diluted earnings (loss) per share:		
Numerator for earnings (loss) per share:		
Net income (loss)	\$ 61,871	\$ (51,985)
Accretion of redeemable preferred stock	(26)	(26)
Cumulative preferred stock dividends	<u>(2,651)</u>	<u>(2,498)</u>
Income (loss) attributable to common stockholders - basic	59,194	(54,509)
Add back - Interest on convertible notes	1,334	-
Income (loss) attributable to common stockholders - diluted	<u>\$ 60,528</u>	<u>\$ (54,509)</u>
Denominator:		
Basic weighted average shares	891,031	886,629
Outstanding options	1,977	-
Convertible notes	24,800	-
Diluted weighted average shares	<u>917,808</u>	<u>886,629</u>
Basic and diluted income (loss) per share	\$ 0.07	\$ (0.06)

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirty-nine weeks ended December 1, 2012	Thirty-nine weeks ended November 26, 2011
Revenues	\$ 18,937,018	\$ 18,974,468
Costs and expenses:		
Cost of goods sold	13,666,505	13,963,208
Selling, general and administrative expenses	4,918,433	4,773,086
Lease termination and impairment charges	34,292	43,748
Interest expense	388,013	391,516
Loss on debt modifications and retirements, net	17,842	17,510
Gain on sale of assets, net	(19,267)	(7,812)
	<u>19,005,818</u>	<u>19,181,256</u>
Loss before income taxes	(68,800)	(206,788)
Income tax (benefit) expense	(63,818)	533
Net loss	<u>\$ (4,982)</u>	<u>\$ (207,321)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (4,982)	\$ (207,321)
Accretion of redeemable preferred stock	(77)	(77)
Cumulative preferred stock dividends	(7,837)	(7,384)
Loss attributable to common stockholders - basic and diluted	<u>\$ (12,896)</u>	<u>\$ (214,782)</u>
Denominator:		
Basic and diluted weighted average shares	<u>889,187</u>	<u>885,388</u>
Basic and diluted loss per share	\$ (0.01)	\$ (0.24)

RITE AID CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(unaudited)

	Thirteen weeks ended December 1, 2012	Thirteen weeks ended November 26, 2011
Net income (loss)	\$ 61,871	\$ (51,985)
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	1,020	590
Total other comprehensive income	1,020	590
Comprehensive income (loss)	\$ 62,891	\$ (51,395)

RITE AID CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(unaudited)

	Thirty-nine weeks ended December 1, 2012	Thirty-nine weeks ended November 26, 2011
Net loss	\$ (4,982)	\$ (207,321)
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	3,059	1,771
Total other comprehensive income	3,059	1,771
Comprehensive loss	\$ (1,923)	\$ (205,550)

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Thirteen weeks ended December 1, 2012	Thirteen weeks ended November 26, 2011
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 6,237,847	\$ 6,312,584
Cost of goods sold	4,426,526	4,641,204
Gross profit	1,811,321	1,671,380
LIFO charge	-	27,501
FIFO gross profit	1,811,321	1,698,881
Gross profit as a percentage of revenues	29.04%	26.48%
LIFO charge as a percentage of revenues	0.00%	0.44%
FIFO gross profit as a percentage of revenues	29.04%	26.91%
Selling, general and administrative expenses	1,612,198	1,583,098
Selling, general and administrative expenses as a percentage of revenues	25.85%	25.08%
Cash interest expense	120,719	121,321
Non-cash interest expense	7,652	8,606
Total interest expense	128,371	129,927
Adjusted EBITDA	295,284	221,460
Adjusted EBITDA as a percentage of revenues	4.73%	3.51%
Net income (loss)	61,871	(51,985)
Net income (loss) as a percentage of revenues	0.99%	-0.82%
Total debt	6,152,411	6,311,671
Invested cash	167,241	1,258
Total debt net of invested cash	5,985,170	6,310,413
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	84,984	55,852
Intangible assets acquired	25,692	11,643
Total cash capital expenditures	110,676	67,495
Equipment received for noncash consideration	504	1,358
Equipment financed under capital leases	2,017	4,095
Gross capital expenditures	\$ 113,197	\$ 72,948

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Thirty-nine weeks ended December 1, 2012	Thirty-nine weeks ended November 26, 2011
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 18,937,018	\$ 18,974,468
Cost of goods sold	13,666,505	13,963,208
Gross profit	5,270,513	5,011,260
LIFO charge	27,502	67,503
FIFO gross profit	5,298,015	5,078,763
Gross profit as a percentage of revenues	27.83%	26.41%
LIFO charge as a percentage of revenues	0.15%	0.36%
FIFO gross profit as a percentage of revenues	27.98%	26.77%
Selling, general and administrative expenses	4,918,433	4,773,086
Selling, general and administrative expenses as a percentage of revenues	25.97%	25.16%
Cash interest expense	364,929	365,744
Non-cash interest expense	23,084	25,772
Total interest expense	388,013	391,516
Adjusted EBITDA	788,102	668,570
Adjusted EBITDA as a percentage of revenues	4.16%	3.52%
Net loss	(4,982)	(207,321)
Net loss as a percentage of revenues	-0.03%	-1.09%
Total debt	6,152,411	6,311,671
Invested cash	167,241	1,258
Total debt net of invested cash	5,985,170	6,310,413
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	233,195	146,138
Intangible assets acquired	45,659	28,090
Total cash capital expenditures	278,854	174,228
Equipment received for noncash consideration	2,636	3,092
Equipment financed under capital leases	7,251	6,476
Gross capital expenditures	\$ 288,741	\$ 183,796

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

	Thirteen weeks ended December 1, 2012	Thirteen weeks ended November 26, 2011
Reconciliation of net income (loss) to adjusted EBITDA:		
Net income (loss)	\$ 61,871	\$ (51,985)
Adjustments:		
Interest expense	128,371	129,927
Income tax expense	777	972
Depreciation and amortization	102,790	107,579
LIFO charges	-	27,501
Lease termination and impairment charges	14,366	11,540
Stock-based compensation expense	4,219	4,089
Gain on sale of assets, net	(6,262)	(2,172)
Closed facility liquidation expense	1,396	1,527
Customer loyalty card program revenue deferral	(11,746)	(5,846)
Other	(498)	(1,672)
Adjusted EBITDA	<u>\$ 295,284</u>	<u>\$ 221,460</u>
Percent of revenues	4.73%	3.51%

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

	Thirty-nine weeks ended December 1, 2012	Thirty-nine weeks ended November 26, 2011
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (4,982)	\$ (207,321)
Adjustments:		
Interest expense	388,013	391,516
Income tax (benefit) expense	(63,818)	533
Reduction of tax indemnification asset	60,237	-
Depreciation and amortization	311,160	333,381
LIFO charges	27,502	67,503
Lease termination and impairment charges	34,292	43,748
Stock-based compensation expense	12,872	11,612
Gain on sale of assets, net	(19,267)	(7,812)
Loss on debt modifications and retirements, net	17,842	17,510
Closed facility liquidation expense	4,263	5,159
Severance costs	(72)	256
Customer loyalty card program revenue deferral	16,247	22,905
Other	3,813	(10,420)
Adjusted EBITDA	<u>\$ 788,102</u>	<u>\$ 668,570</u>
Percent of revenues	4.16%	3.52%

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended December 1, 2012	Thirteen weeks ended November 26, 2011
OPERATING ACTIVITIES:		
Net income (loss)	\$ 61,871	\$ (51,985)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	102,790	107,579
Lease termination and impairment charges	14,366	11,540
LIFO charges	-	27,501
Gain on sale of assets, net	(6,262)	(2,172)
Stock-based compensation expense	4,219	4,089
Changes in operating assets and liabilities:		
Accounts receivable	9,343	(21,190)
Inventories	(74,724)	(126,646)
Accounts payable	172,614	28,800
Other assets and liabilities, net	(15,697)	24,466
Net cash provided by operating activities	268,520	1,982
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(84,984)	(55,852)
Intangible assets acquired	(25,692)	(11,643)
Proceeds from sale-leaseback transactions	2,405	2,428
Proceeds from dispositions of assets and investments	11,844	7,592
Net cash used in investing activities	(96,427)	(57,475)
FINANCING ACTIVITIES:		
Net proceeds from revolver	-	118,000
Principal payments on long-term debt	(7,824)	(4,392)
Change in zero balance cash accounts	4,974	11,934
Net proceeds from the issuance of common stock	99	62
Deferred financing costs paid	(26)	-
Net cash (used in) provided by financing activities	(2,777)	125,604
Increase in cash and cash equivalents	169,316	70,111
Cash and cash equivalents, beginning of period	94,325	78,363
Cash and cash equivalents, end of period	\$ 263,641	\$ 148,474

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirty-nine weeks ended December 1, 2012	Thirty-nine weeks ended November 26, 2011
OPERATING ACTIVITIES:		
Net loss	\$ (4,982)	\$ (207,321)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	311,160	333,381
Lease termination and impairment charges	34,292	43,748
LIFO charges	27,502	67,503
Gain on sale of assets, net	(19,267)	(7,812)
Stock-based compensation expense	12,872	11,612
Loss on debt modifications and retirements, net	17,842	17,510
Changes in operating assets and liabilities:		
Accounts receivable	95,732	(7,636)
Inventories	13,055	(298,936)
Accounts payable	55,498	179,925
Other assets and liabilities, net	55,533	124,067
Net cash provided by operating activities	<u>599,237</u>	<u>256,041</u>
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(233,195)	(146,138)
Intangible assets acquired	(45,659)	(28,090)
Proceeds from sale-leaseback transactions	6,355	2,428
Proceeds from dispositions of assets and investments	27,744	16,955
Net cash used in investing activities	<u>(244,755)</u>	<u>(154,845)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	426,263	341,285
Net (repayments to) proceeds from revolver	(136,000)	163,000
Principal payments on long-term debt	(479,147)	(439,553)
Change in zero balance cash accounts	(43,507)	(106,347)
Net proceeds from the issuance of common stock	1,103	566
Financing fees paid for early debt redemption	(11,069)	-
Deferred financing costs paid	(10,769)	(2,789)
Net cash used in financing activities	<u>(253,126)</u>	<u>(43,838)</u>
Increase in cash and cash equivalents	101,356	57,358
Cash and cash equivalents, beginning of period	162,285	91,116
Cash and cash equivalents, end of period	<u>\$ 263,641</u>	<u>\$ 148,474</u>

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

	Guidance Range	
	Low	High
Sales	\$ 25,150,000	\$ 25,300,000
Same store sales (a)	-0.9%	-0.3%
Gross capital expenditures	\$ 360,000	\$ 360,000
Reconciliation of net (loss) income to adjusted EBITDA:		
Net (loss) income	\$ (38,000)	\$ 33,000
Adjustments:		
Interest expense	518,000	518,000
Income tax benefit	(102,000)	(104,000)
Reduction of tax indemnification asset	95,000	95,000
Depreciation and amortization	416,000	416,000
LIFO charge	30,000	-
Store closing and impairment charges	87,000	80,000
Stock-based compensation expense	17,000	17,000
Loss on debt modification	18,000	18,000
Customer loyalty card program revenue deferral	21,000	20,000
Other	(12,000)	(18,000)
Adjusted EBITDA	<u>\$ 1,050,000</u>	<u>\$ 1,075,000</u>
Diluted (loss) income per share	\$ (0.05)	\$ 0.03

(a) Reflects approximately 700 basis points reduction in pharmacy same store sales from new generic introductions.