

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(unaudited)

	August 31, 2013	March 2, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 144,167	\$ 129,452
Accounts receivable, net	922,648	929,476
Inventories, net of LIFO reserve of \$950,241 and \$915,241	3,215,611	3,154,742
Prepaid expenses and other current assets	208,607	195,377
Total current assets	4,491,033	4,409,047
Property, plant and equipment, net	1,936,577	1,895,650
Other intangibles, net	438,776	464,404
Other assets	302,604	309,618
Total assets	<u>\$ 7,168,990</u>	<u>\$ 7,078,719</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 47,213	\$ 37,311
Accounts payable	1,415,880	1,384,644
Accrued salaries, wages and other current liabilities	1,084,312	1,156,315
Total current liabilities	2,547,405	2,578,270
Long-term debt, less current maturities	5,915,836	5,904,370
Lease financing obligations, less current maturities	88,510	91,850
Other noncurrent liabilities	935,105	963,663
Total liabilities	9,486,856	9,538,153
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock - Series G	1	1
Preferred stock - Series H	187,601	182,097
Common stock	916,081	904,268
Additional paid-in capital	4,280,068	4,280,831
Accumulated deficit	(7,642,773)	(7,765,262)
Accumulated other comprehensive loss	(58,844)	(61,369)
Total stockholders' deficit	(2,317,866)	(2,459,434)
Total liabilities and stockholders' deficit	<u>\$ 7,168,990</u>	<u>\$ 7,078,719</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Thirteen weeks ended August 31, 2013	Thirteen weeks ended September 1, 2012
Revenues	\$ 6,278,165	\$ 6,230,884
Costs and expenses:		
Cost of goods sold	4,461,804	4,520,463
Selling, general and administrative expenses	1,602,931	1,618,169
Lease termination and impairment charges	11,390	7,783
Interest expense	106,716	129,054
Loss on debt retirements, net	62,172	-
Gain on sale of assets, net	(1,885)	(2,954)
	<u>6,243,128</u>	<u>6,272,515</u>
Income (loss) before income taxes	35,037	(41,631)
Income tax expense (benefit)	2,210	(2,866)
Net income (loss)	<u>\$ 32,827</u>	<u>\$ (38,765)</u>
Basic and diluted earnings (loss) per share:		
Numerator for earnings (loss) per share:		
Net income (loss)	\$ 32,827	\$ (38,765)
Accretion of redeemable preferred stock	(26)	(26)
Cumulative preferred stock dividends	(2,772)	(2,612)
Income (loss) attributable to common stockholders - basic and diluted	<u>\$ 30,029</u>	<u>\$ (41,403)</u>
Denominator:		
Basic weighted average shares	901,992	889,645
Outstanding options and restricted shares	<u>44,726</u>	<u>-</u>
Diluted weighted average shares	<u>946,718</u>	<u>889,645</u>
Basic and diluted income (loss) per share	\$ 0.03	\$ (0.05)

RITE AID CORPORATION AND SUBSIDIARIES

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

	Twenty-six weeks ended August 31, 2013	Twenty-six weeks ended September 1, 2012
Revenues	\$ 12,571,222	\$ 12,699,171
Costs and expenses:		
Cost of goods sold	8,933,870	9,239,979
Selling, general and administrative expenses	3,212,192	3,306,235
Lease termination and impairment charges	22,362	19,926
Interest expense	219,780	259,642
Loss on debt retirements, net	62,172	17,842
Gain on sale of assets, net	(7,065)	(13,005)
	<u>12,443,311</u>	<u>12,830,619</u>
Income (loss) before income taxes	127,911	(131,448)
Income tax expense (benefit)	5,422	(64,595)
Net income (loss)	<u>\$ 122,489</u>	<u>\$ (66,853)</u>
Basic and diluted earnings (loss) per share:		
Numerator for earnings (loss) per share:		
Net income (loss)	\$ 122,489	\$ (66,853)
Accretion of redeemable preferred stock	(51)	(51)
Cumulative preferred stock dividends	<u>(5,504)</u>	<u>(5,186)</u>
Income (loss) attributable to common stockholders - basic	116,934	(72,090)
Add back - Interest on convertible notes	2,728	-
Income (loss) attributable to common stockholders - diluted	<u>\$ 119,662</u>	<u>\$ (72,090)</u>
Denominator:		
Basic weighted average shares	897,993	888,573
Outstanding options and restricted shares	40,143	-
Convertible notes	<u>24,800</u>	<u>-</u>
Diluted weighted average shares	<u>962,936</u>	<u>888,573</u>
Basic income (loss) per share	\$ 0.13	\$ (0.08)
Diluted income (loss) per share	\$ 0.12	\$ (0.08)

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(unaudited)

	Thirteen weeks ended August 31, 2013	Thirteen weeks ended September 1, 2012
Net income (loss)	\$ 32,827	\$ (38,765)
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	1,262	1,019
Total other comprehensive income	1,262	1,019
Comprehensive income (loss)	\$ 34,089	\$ (37,746)

RITE AID CORPORATION AND SUBSIDIARIES

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

	Twenty-six weeks ended August 31, 2013	Twenty-six weeks ended September 1, 2012
Net income (loss)	\$ 122,489	\$ (66,853)
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	2,525	2,039
Total other comprehensive income	2,525	2,039
Comprehensive income (loss)	\$ 125,014	\$ (64,814)

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirteen weeks ended August 31, 2013	Thirteen weeks ended September 1, 2012
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 6,278,165	\$ 6,230,884
Cost of goods sold	4,461,804	4,520,463
Gross profit	1,816,361	1,710,421
LIFO charge	23,000	8,752
FIFO gross profit	1,839,361	1,719,173
Gross profit as a percentage of revenues	28.93%	27.45%
LIFO charge as a percentage of revenues	0.37%	0.14%
FIFO gross profit as a percentage of revenues	29.30%	27.59%
Selling, general and administrative expenses	1,602,931	1,618,169
Selling, general and administrative expenses as a percentage of revenues	25.53%	25.97%
Cash interest expense	102,556	121,383
Non-cash interest expense	4,160	7,671
Total interest expense	106,716	129,054
Adjusted EBITDA	341,589	218,653
Adjusted EBITDA as a percentage of revenues	5.44%	3.51%
Net income (loss)	32,827	(38,765)
Net income (loss) as a percentage of revenues	0.52%	-0.62%
Total debt	6,051,559	6,158,911
Invested cash	1,629	831
Total debt net of invested cash	6,049,930	6,158,080
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	89,944	70,211
Intangible assets acquired	23,865	11,009
Total cash capital expenditures	113,809	81,220
Equipment received for noncash consideration	-	2,132
Equipment financed under capital leases	7,744	1,369
Gross capital expenditures	\$ 121,553	\$ 84,721

RITE AID CORPORATION AND SUBSIDIARIES

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

	Twenty-six weeks ended August 31, 2013	Twenty-six weeks ended September 1, 2012
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 12,571,222	\$ 12,699,171
Cost of goods sold	8,933,870	9,239,979
Gross profit	3,637,352	3,459,192
LIFO charge	35,000	27,502
FIFO gross profit	3,672,352	3,486,694
Gross profit as a percentage of revenues	28.93%	27.24%
LIFO charge as a percentage of revenues	0.28%	0.22%
FIFO gross profit as a percentage of revenues	29.21%	27.46%
Selling, general and administrative expenses	3,212,192	3,306,235
Selling, general and administrative expenses as a percentage of revenues	25.55%	26.04%
Cash interest expense	211,104	244,210
Non-cash interest expense	8,676	15,432
Total interest expense	219,780	259,642
Adjusted EBITDA	686,367	492,818
Adjusted EBITDA as a percentage of revenues	5.46%	3.88%
Net income (loss)	122,489	(66,853)
Net income (loss) as a percentage of revenues	0.97%	-0.53%
Total debt	6,051,559	6,158,911
Invested cash	1,629	831
Total debt net of invested cash	6,049,930	6,158,080
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	170,850	148,211
Intangible assets acquired	35,651	19,967
Total cash capital expenditures	206,501	168,178
Equipment received for noncash consideration	-	2,132
Equipment financed under capital leases	13,117	5,234
Gross capital expenditures	\$ 219,618	\$ 175,544

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

	Thirteen weeks ended August 31, 2013	Thirteen weeks ended September 1, 2012
Reconciliation of net income (loss) to adjusted EBITDA:		
Net income (loss)	\$ 32,827	\$ (38,765)
Adjustments:		
Interest expense	106,716	129,054
Income tax expense (benefit)	2,210	(2,866)
Adjustments to tax indemnification asset	(614)	-
Depreciation and amortization	99,247	101,999
LIFO charge	23,000	8,752
Lease termination and impairment charges	11,390	7,783
Stock-based compensation expense	3,837	4,695
Gain on sale of assets, net	(1,885)	(2,954)
Loss on debt retirements, net	62,172	-
Closed facility liquidation expense	851	1,411
Severance costs	-	(72)
Customer loyalty card program revenue deferral	1,526	4,813
Other	312	4,803
Adjusted EBITDA	<u>\$ 341,589</u>	<u>\$ 218,653</u>
Percent of revenues	5.44%	3.51%

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

	Twenty-six weeks ended August 31, 2013	Twenty-six weeks ended September 1, 2012
Reconciliation of net income (loss) to adjusted EBITDA:		
Net income (loss)	\$ 122,489	\$ (66,853)
Adjustments:		
Interest expense	219,780	259,642
Income tax expense (benefit)	5,422	(64,595)
Adjustments to tax indemnification asset	(1,227)	60,237
Depreciation and amortization	200,493	208,370
LIFO charge	35,000	27,502
Lease termination and impairment charges	22,362	19,926
Stock-based compensation expense	8,077	8,653
Gain on sale of assets, net	(7,065)	(13,005)
Loss on debt retirements, net	62,172	17,842
Closed facility liquidation expense	1,790	2,867
Severance costs	-	(72)
Customer loyalty card program revenue deferral	16,128	27,993
Other	946	4,311
Adjusted EBITDA	<u>\$ 686,367</u>	<u>\$ 492,818</u>
Percent of revenues	5.46%	3.88%

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended August 31, 2013	Thirteen weeks ended September 1, 2012
OPERATING ACTIVITIES:		
Net income (loss)	\$ 32,827	\$ (38,765)
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	99,247	101,999
Lease termination and impairment charges	11,390	7,783
LIFO charge	23,000	8,752
Gain on sale of assets, net	(1,885)	(2,954)
Stock-based compensation expense	3,837	4,695
Loss on debt retirements, net	62,172	-
Changes in operating assets and liabilities:		
Accounts receivable	(41,054)	(9,996)
Inventories	(102,861)	(10,214)
Accounts payable	51,747	(78,413)
Other assets and liabilities, net	(58,955)	(15,773)
Net cash provided by (used in) operating activities	79,465	(32,886)
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(89,944)	(70,211)
Intangible assets acquired	(23,865)	(11,009)
Proceeds from sale-leaseback transactions	-	3,950
Proceeds from dispositions of assets and investments	3,088	4,617
Net cash used in investing activities	(110,721)	(72,653)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,310,000	-
Net proceeds from revolver	135,000	-
Principal payments on long-term debt	(1,317,593)	(7,686)
Change in zero balance cash accounts	(4,452)	(6,580)
Net proceeds from the issuance of common stock	5,519	470
Financing fees paid for early debt redemption	(45,636)	-
Deferred financing costs paid	(16,317)	(1,114)
Net cash provided by (used in) financing activities	66,521	(14,910)
Increase (decrease) in cash and cash equivalents	35,265	(120,449)
Cash and cash equivalents, beginning of period	108,902	214,774
Cash and cash equivalents, end of period	\$ 144,167	\$ 94,325

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Twenty-six weeks ended August 31, 2013	Twenty-six weeks ended September 1, 2012
OPERATING ACTIVITIES:		
Net income (loss)	\$ 122,489	\$ (66,853)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	200,493	208,370
Lease termination and impairment charges	22,362	19,926
LIFO charge	35,000	27,502
Gain on sale of assets, net	(7,065)	(13,005)
Stock-based compensation expense	8,077	8,653
Loss on debt retirements, net	62,172	17,842
Changes in operating assets and liabilities:		
Accounts receivable	6,743	86,389
Inventories	(95,926)	87,779
Accounts payable	36,200	(117,116)
Other assets and liabilities, net	(126,633)	71,230
Net cash provided by operating activities	263,912	330,717
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(170,850)	(148,211)
Intangible assets acquired	(35,651)	(19,967)
Proceeds from sale-leaseback transactions	3,989	3,950
Proceeds from dispositions of assets and investments	9,698	15,900
Net cash used in investing activities	(192,814)	(148,328)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,310,000	426,263
Net proceeds from (payments to) revolver	12,000	(136,000)
Principal payments on long-term debt	(1,321,971)	(471,323)
Change in zero balance cash accounts	(5,319)	(48,481)
Net proceeds from the issuance of common stock	12,263	1,004
Financing fees paid for early debt redemption	(45,636)	(11,069)
Deferred financing costs paid	(17,720)	(10,743)
Net cash used in financing activities	(56,383)	(250,349)
Increase (decrease) in cash and cash equivalents	14,715	(67,960)
Cash and cash equivalents, beginning of period	129,452	162,285
Cash and cash equivalents, end of period	\$ 144,167	\$ 94,325

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET INCOME GUIDANCE TO ADJUSTED EBITDA GUIDANCE
YEAR ENDING MARCH 1, 2014
(In thousands, except per share amounts)

	Guidance Range	
	Low	High
Sales	\$ 25,100,000	\$ 25,300,000
Same store sales (a)	-0.50%	0.50%
Gross capital expenditures	\$ 400,000	\$ 400,000
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 182,000	\$ 268,000
Adjustments:		
Interest expense	430,000	430,000
Income tax benefit	(26,000)	(26,000)
Adjustments to tax indemnification asset	30,000	30,000
Depreciation and amortization	402,000	402,000
LIFO charge	80,000	60,000
Store closing and impairment charges	68,000	62,000
Stock-based compensation expense	16,000	16,000
Loss on debt retirement	62,000	62,000
Customer loyalty card program revenue deferral	6,000	6,000
Other	(10,000)	(10,000)
Adjusted EBITDA	<u>\$ 1,240,000</u>	<u>\$ 1,300,000</u>
Diluted income per share	\$ 0.18	\$ 0.27

(a) Reflects approximately 240 basis points reduction in pharmacy same store sales from new generic introductions.