

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(unaudited)

	November 30, 2013	March 2, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 183,212	\$ 129,452
Accounts receivable, net	850,249	929,476
Inventories, net of LIFO reserve of \$975,241 and \$915,241	3,301,103	3,154,742
Prepaid expenses and other current assets	111,689	195,377
Total current assets	4,446,253	4,409,047
Property, plant and equipment, net	1,957,584	1,895,650
Other intangibles, net	438,281	464,404
Other assets	296,049	309,618
Total assets	<u>\$ 7,138,167</u>	<u>\$ 7,078,719</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 47,753	\$ 37,311
Accounts payable	1,397,093	1,384,644
Accrued salaries, wages and other current liabilities	1,120,238	1,156,315
Total current liabilities	2,565,084	2,578,270
Long-term debt, less current maturities	5,825,816	5,904,370
Lease financing obligations, less current maturities	78,857	91,850
Other noncurrent liabilities	897,235	963,663
Total liabilities	9,366,992	9,538,153
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock - Series G	-	1
Preferred stock - Series H	-	182,097
Common stock	965,411	904,268
Additional paid-in capital	4,434,570	4,280,831
Accumulated deficit	(7,571,225)	(7,765,262)
Accumulated other comprehensive loss	(57,581)	(61,369)
Total stockholders' deficit	(2,228,825)	(2,459,434)
Total liabilities and stockholders' deficit	<u>\$ 7,138,167</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 November 30, 2013	Thirteen weeks ended December 1, 2012
Revenues	\$ 6,357,732	\$ 6,237,847
Costs and expenses:		
Cost of goods sold	4,557,066	4,426,526
Selling, general and administrative expenses	1,632,299	1,612,198
Lease termination and impairment charges	1,672	14,366
Interest expense	102,819	128,371
Loss on debt retirements, net	271	-
Gain on sale of assets, net	(9,331)	(6,262)
	<u>6,284,796</u>	<u>6,175,199</u>
Income before income taxes	72,936	62,648
Income tax expense	1,388	777
Net income	<u>\$ 71,548</u>	<u>\$ 61,871</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 71,548	\$ 61,871
Accretion of redeemable preferred stock	(26)	(26)
Cumulative preferred stock dividends	(2,814)	(2,651)
Conversion of Series G and H preferred stock	(25,603)	-
Income attributable to common stockholders - basic	<u>43,105</u>	<u>59,194</u>
Add back - Interest on convertible notes	-	1,334
Income attributable to common stockholders - diluted	<u>\$ 43,105</u>	<u>\$ 60,528</u>
Denominator:		
Basic weighted average shares	938,994	891,031
Outstanding options and restricted shares, net	48,843	1,977
Convertible notes	-	24,800
Diluted weighted average shares	<u>987,837</u>	<u>917,808</u>
Basic income per share	\$ 0.05	\$ 0.07
Diluted income per share	\$ 0.04	\$ 0.07

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirty-nine weeks ended November 30, 2013	Thirty-nine weeks ended December 1, 2012
Revenues	\$ 18,928,954	\$ 18,937,018
Costs and expenses:		
Cost of goods sold	13,490,936	13,666,505
Selling, general and administrative expenses	4,844,491	4,918,433
Lease termination and impairment charges	24,034	34,292
Interest expense	322,599	388,013
Loss on debt retirements, net	62,443	17,842
Gain on sale of assets, net	(16,396)	(19,267)
	<u>18,728,107</u>	<u>19,005,818</u>
Income (loss) before income taxes	200,847	(68,800)
Income tax expense (benefit)	6,810	(63,818)
Net income (loss)	<u>\$ 194,037</u>	<u>\$ (4,982)</u>
Basic and diluted earnings (loss) per share:		
Numerator for earnings (loss) per share:		
Net income (loss)	\$ 194,037	\$ (4,982)
Accretion of redeemable preferred stock	(77)	(77)
Cumulative preferred stock dividends	(8,318)	(7,837)
Conversion of Series G and H preferred stock	(25,603)	-
Income (loss) attributable to common stockholders - basic and diluted	<u>\$ 160,039</u>	<u>\$ (12,896)</u>
Denominator:		
Basic weighted average shares	911,608	889,187
Outstanding options and restricted shares, net	<u>41,227</u>	<u>-</u>
Diluted weighted average shares	<u>952,835</u>	<u>889,187</u>
Basic income (loss) per share	\$ 0.18	\$ (0.01)
Diluted income (loss) per share	\$ 0.17	\$ (0.01)

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended November 30, 2013	Thirteen weeks ended December 1, 2012
Net income	\$ 71,548	\$ 61,871
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	1,263	1,020
Total other comprehensive income	1,263	1,020
Comprehensive income	\$ 72,811	\$ 62,891

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirty-nine weeks ended November 30, 2013	Thirty-nine weeks ended December 1, 2012
Net income (loss)	\$ 194,037	\$ (4,982)
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	3,788	3,059
Total other comprehensive income	3,788	3,059
Comprehensive income (loss)	<u>\$ 197,825</u>	<u>\$ (1,923)</u>

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Thirteen weeks ended November 30, 2013	Thirteen weeks ended December 1, 2012
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 6,357,732	\$ 6,237,847
Cost of goods sold	4,557,066	4,426,526
Gross profit	1,800,666	1,811,321
LIFO charge	25,000	-
FIFO gross profit	1,825,666	1,811,321
Gross profit as a percentage of revenues	28.32%	29.04%
LIFO charge as a percentage of revenues	0.39%	0.00%
FIFO gross profit as a percentage of revenues	28.72%	29.04%
Selling, general and administrative expenses	1,632,299	1,612,198
Selling, general and administrative expenses as a percentage of revenues	25.67%	25.85%
Cash interest expense	98,838	120,719
Non-cash interest expense	3,981	7,652
Total interest expense	102,819	128,371
Adjusted EBITDA	282,262	295,284
Adjusted EBITDA as a percentage of revenues	4.44%	4.73%
Net income	71,548	61,871
Net income as a percentage of revenues	1.13%	0.99%
Total debt	5,952,426	6,152,411
Invested cash	11,323	167,241
Total debt net of invested cash	5,941,103	5,985,170
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	84,419	84,984
Intangible assets acquired	28,954	25,692
Total cash capital expenditures	113,373	110,676
Equipment received for noncash consideration	1,588	504
Equipment financed under capital leases	1,906	2,017
Gross capital expenditures	\$ 116,867	\$ 113,197

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Thirty-nine weeks ended November 30, 2013	Thirty-nine weeks ended December 1, 2012
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 18,928,954	\$ 18,937,018
Cost of goods sold	13,490,936	13,666,505
Gross profit	5,438,018	5,270,513
LIFO charge	60,000	27,502
FIFO gross profit	5,498,018	5,298,015
Gross profit as a percentage of revenues	28.73%	27.83%
LIFO charge as a percentage of revenues	0.32%	0.15%
FIFO gross profit as a percentage of revenues	29.05%	27.98%
Selling, general and administrative expenses	4,844,491	4,918,433
Selling, general and administrative expenses as a percentage of revenues	25.59%	25.97%
Cash interest expense	309,942	364,929
Non-cash interest expense	12,657	23,084
Total interest expense	322,599	388,013
Adjusted EBITDA	968,629	788,102
Adjusted EBITDA as a percentage of revenues	5.12%	4.16%
Net income (loss)	194,037	(4,982)
Net income (loss) as a percentage of revenues	1.03%	-0.03%
Total debt	5,952,426	6,152,411
Invested cash	11,323	167,241
Total debt net of invested cash	5,941,103	5,985,170

SUPPLEMENTAL CASH FLOW INFORMATION

Payments for property, plant and equipment	255,269	233,195
Intangible assets acquired	64,605	45,659
Total cash capital expenditures	319,874	278,854
Equipment received for noncash consideration	1,588	2,636
Equipment financed under capital leases	15,023	7,251
Gross capital expenditures	\$ 336,485	\$ 288,741

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

	Thirteen weeks ended November 30, 2013	Thirteen weeks ended December 1, 2012
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 71,548	\$ 61,871
Adjustments:		
Interest expense	102,819	128,371
Income tax expense	1,388	777
Adjustments to tax indemnification asset	(613)	-
Depreciation and amortization	101,188	102,790
LIFO charge	25,000	-
Lease termination and impairment charges	1,672	14,366
Stock-based compensation expense	4,117	4,219
Gain on sale of assets, net	(9,331)	(6,262)
Loss on debt retirements, net	271	-
Closed facility liquidation expense	1,058	1,396
Customer loyalty card program revenue deferral	(16,950)	(11,746)
Other	95	(498)
Adjusted EBITDA	<u>\$ 282,262</u>	<u>\$ 295,284</u>
Percent of revenues	4.44%	4.73%

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

	Thirty-nine weeks ended November 30, 2013	Thirty-nine weeks ended December 1, 2012
Reconciliation of net income (loss) to adjusted EBITDA:		
Net income (loss)	\$ 194,037	\$ (4,982)
Adjustments:		
Interest expense	322,599	388,013
Income tax expense (benefit)	6,810	(63,818)
Adjustments to tax indemnification asset	(1,840)	60,237
Depreciation and amortization	301,681	311,160
LIFO charge	60,000	27,502
Lease termination and impairment charges	24,034	34,292
Stock-based compensation expense	12,194	12,872
Gain on sale of assets, net	(16,396)	(19,267)
Loss on debt retirements, net	62,443	17,842
Closed facility liquidation expense	2,848	4,263
Severance costs	-	(72)
Customer loyalty card program revenue deferral	(822)	16,247
Other	1,041	3,813
Adjusted EBITDA	<u>\$ 968,629</u>	<u>\$ 788,102</u>
Percent of revenues	5.12%	4.16%

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended November 30, 2013	Thirteen weeks ended December 1, 2012
OPERATING ACTIVITIES:		
Net income	\$ 71,548	\$ 61,871
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	101,188	102,790
Lease termination and impairment charges	1,672	14,366
Gain from lease termination	(8,750)	-
LIFO charge	25,000	-
Gain on sale of assets, net	(9,331)	(6,262)
Stock-based compensation expense	4,117	4,219
Loss on debt retirements, net	271	-
Changes in operating assets and liabilities:		
Accounts receivable	76,532	9,343
Inventories	(110,482)	(74,724)
Accounts payable	(11,040)	172,614
Other assets and liabilities, net	106,661	(15,697)
Net cash provided by operating activities	247,386	268,520
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(84,419)	(84,984)
Intangible assets acquired	(28,954)	(25,692)
Proceeds from sale-leaseback transactions	-	2,405
Proceeds from dispositions of assets and investments	4,459	11,844
Proceeds from lease termination	8,750	-
Proceeds from insured loss	2,758	-
Net cash used in investing activities	(97,406)	(96,427)
FINANCING ACTIVITIES:		
Net payments to revolver	(87,000)	-
Principal payments on long-term debt	(10,557)	(7,824)
Change in zero balance cash accounts	(4,842)	4,974
Net proceeds from the issuance of common stock	12,618	99
Payments for the repurchase of preferred stock	(21,034)	-
Deferred financing costs paid	(120)	(26)
Net cash used in financing activities	(110,935)	(2,777)
Increase in cash and cash equivalents	39,045	169,316
Cash and cash equivalents, beginning of period	144,167	94,325
Cash and cash equivalents, end of period	\$ 183,212	\$ 263,641

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirty-nine weeks ended November 30, 2013	Thirty-nine weeks ended December 1, 2012
OPERATING ACTIVITIES:		
Net income (loss)	\$ 194,037	\$ (4,982)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	301,681	311,160
Lease termination and impairment charges	24,034	34,292
Gain from lease termination	(8,750)	-
LIFO charge	60,000	27,502
Gain on sale of assets, net	(16,396)	(19,267)
Stock-based compensation expense	12,194	12,872
Loss on debt retirements, net	62,443	17,842
Changes in operating assets and liabilities:		
Accounts receivable	79,895	95,732
Inventories	(206,408)	13,055
Accounts payable	25,160	55,498
Other assets and liabilities, net	(19,972)	55,533
Net cash provided by operating activities	507,918	599,237
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(255,269)	(233,195)
Intangible assets acquired	(64,605)	(45,659)
Proceeds from sale-leaseback transactions	3,989	6,355
Proceeds from dispositions of assets and investments	14,157	27,744
Proceeds from lease termination	8,750	-
Proceeds from insured loss	6,138	-
Net cash used in investing activities	(286,840)	(244,755)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,310,000	426,263
Net payments to revolver	(75,000)	(136,000)
Principal payments on long-term debt	(1,332,528)	(479,147)
Change in zero balance cash accounts	(10,161)	(43,507)
Net proceeds from the issuance of common stock	24,881	1,103
Payments for the repurchase of preferred stock	(21,034)	-
Financing fees paid for early debt redemption	(45,636)	(11,069)
Deferred financing costs paid	(17,840)	(10,769)
Net cash used in financing activities	(167,318)	(253,126)
Increase in cash and cash equivalents	53,760	101,356
Cash and cash equivalents, beginning of period	129,452	162,285
Cash and cash equivalents, end of period	\$ 183,212	\$ 263,641

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	\$ 25,300,000	\$ 25,425,000
Same store sales	0.35%	0.85%
Gross capital expenditures	\$ 415,000	\$ 415,000
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 204,000	\$ 259,000
Adjustments:		
Interest expense	427,000	427,000
Income tax benefit	(25,000)	(25,000)
Adjustments to tax indemnification asset	30,000	30,000
Depreciation and amortization	405,000	405,000
LIFO charge	90,000	70,000
Store closing and impairment charges	50,000	45,000
Stock-based compensation expense	16,000	16,000
Loss on debt retirement	62,000	62,000
Customer loyalty card program revenue deferral	3,000	3,000
Other	(12,000)	(12,000)
Adjusted EBITDA	<u>\$ 1,250,000</u>	<u>\$ 1,280,000</u>
 Diluted income per share	 \$ 0.17	 \$ 0.23