

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(unaudited)

	March 1, 2014	March 2, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 146,406	\$ 129,452
Accounts receivable, net	949,062	929,476
Inventories, net of LIFO reserve of \$1,018,581 and \$915,241	2,993,948	3,154,742
Prepaid expenses and other current assets	195,709	195,377
Total current assets	4,285,125	4,409,047
Property, plant and equipment, net	1,957,329	1,895,650
Other intangibles, net	431,227	464,404
Other assets	271,190	309,618
Total assets	<u>\$ 6,944,871</u>	<u>\$ 7,078,719</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 49,174	\$ 37,311
Accounts payable	1,292,419	1,384,644
Accrued salaries, wages and other current liabilities	1,165,859	1,156,315
Total current liabilities	2,507,452	2,578,270
Long-term debt, less current maturities	5,632,798	5,904,370
Lease financing obligations, less current maturities	75,171	91,850
Other noncurrent liabilities	843,152	963,663
Total liabilities	9,058,573	9,538,153
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock - Series G	-	1
Preferred stock - Series H	-	182,097
Common stock	971,331	904,268
Additional paid-in capital	4,468,149	4,280,831
Accumulated deficit	(7,515,848)	(7,765,262)
Accumulated other comprehensive loss	(37,334)	(61,369)
Total stockholders' deficit	(2,113,702)	(2,459,434)
Total liabilities and stockholders' deficit	<u>\$ 6,944,871</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 March 1, 2014	Thirteen weeks ended March 2, 2013
Revenues	\$ 6,597,459	\$ 6,455,245
Costs and expenses:		
Cost of goods sold	4,711,743	4,407,482
Selling, general and administrative expenses	1,716,671	1,682,332
Lease termination and impairment charges	17,270	36,567
Interest expense	101,992	127,408
Loss on debt retirements, net	-	122,660
Loss on sale of assets, net	412	2,491
	<u>6,548,088</u>	<u>6,378,940</u>
Income before income taxes	49,371	76,305
Income tax benefit	(6,006)	(46,782)
Net income	<u>\$ 55,377</u>	<u>\$ 123,087</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 55,377	\$ 123,087
Accretion of redeemable preferred stock	-	(25)
Cumulative preferred stock dividends	-	(2,691)
Income attributable to common stockholders - basic	<u>55,377</u>	<u>120,371</u>
Add back - Interest on convertible notes	1,364	1,364
Add back - Cumulative preferred stock dividends	-	2,691
Income attributable to common stockholders - diluted	<u>\$ 56,741</u>	<u>\$ 124,426</u>
Denominator:		
Basic weighted average shares	956,925	891,303
Outstanding options and restricted shares, net	35,304	19,608
Convertible preferred stock	-	33,109
Convertible notes	<u>24,800</u>	<u>24,800</u>
Diluted weighted average shares	<u>1,017,029</u>	<u>968,820</u>
Basic income per share	\$ 0.06	\$ 0.14
Diluted income per share	\$ 0.06	\$ 0.13

RITE AID CORPORATION AND SUBSIDIARIES

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

	Fifty-two weeks ended March 1, 2014	Fifty-two weeks ended March 2, 2013
Revenues	\$ 25,526,413	\$ 25,392,263
Costs and expenses:		
Cost of goods sold	18,202,679	18,073,987
Selling, general and administrative expenses	6,561,162	6,600,765
Lease termination and impairment charges	41,304	70,859
Interest expense	424,591	515,421
Loss on debt retirements, net	62,443	140,502
Gain on sale of assets, net	(15,984)	(16,776)
	<u>25,276,195</u>	<u>25,384,758</u>
Income before income taxes	250,218	7,505
Income tax expense (benefit)	804	(110,600)
Net income	<u>\$ 249,414</u>	<u>\$ 118,105</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 249,414	\$ 118,105
Accretion of redeemable preferred stock	(77)	(102)
Cumulative preferred stock dividends	(8,318)	(10,528)
Conversion of Series G and H preferred stock	(25,603)	-
Income attributable to common stockholders - basic	<u>215,416</u>	<u>107,475</u>
Add back - Interest on convertible notes	5,456	-
Income attributable to common stockholders - diluted	<u>\$ 220,872</u>	<u>\$ 107,475</u>
Denominator:		
Basic weighted average shares	922,199	889,562
Outstanding options and restricted shares, net	32,093	17,697
Convertible notes	<u>24,800</u>	<u>-</u>
Diluted weighted average shares	<u>979,092</u>	<u>907,259</u>
Basic income per share	\$ 0.23	\$ 0.12
Diluted income per share	\$ 0.23	\$ 0.12

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended March 1, 2014	Thirteen weeks ended March 2, 2013
Net income	\$ 55,377	\$ 123,087
Other comprehensive income (loss):		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost	20,247	(11,794)
Total other comprehensive income (loss)	20,247	(11,794)
Comprehensive income	\$ 75,624	\$ 111,293

RITE AID CORPORATION AND SUBSIDIARIES

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

	Fifty-two weeks ended March 1, 2014	Fifty-two weeks ended March 2, 2013
Net income	\$ 249,414	\$ 118,105
Other comprehensive income (loss):		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost	24,035	(8,735)
Total other comprehensive income (loss)	24,035	(8,735)
Comprehensive income	<u>\$ 273,449</u>	<u>\$ 109,370</u>

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Thirteen weeks ended March 1, 2014	Thirteen weeks ended March 2, 2013
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 6,597,459	\$ 6,455,245
Cost of goods sold	4,711,743	4,407,482
Gross profit	1,885,716	2,047,763
LIFO charge (credit)	44,142	(175,384)
FIFO gross profit	1,929,858	1,872,379
Gross profit as a percentage of revenues	28.58%	31.72%
LIFO charge (credit) as a percentage of revenues	0.67%	-2.72%
FIFO gross profit as a percentage of revenues	29.25%	29.01%
Selling, general and administrative expenses	1,716,671	1,682,332
Selling, general and administrative expenses as a percentage of revenues	26.02%	26.06%
Cash interest expense	98,015	119,497
Non-cash interest expense	3,977	7,911
Total interest expense	101,992	127,408
Adjusted EBITDA	356,330	340,277
Adjusted EBITDA as a percentage of revenues	5.40%	5.27%
Net income	55,377	123,087
Net income as a percentage of revenues	0.84%	1.91%
Total debt	5,757,143	6,033,531
Invested cash	2,484	16,127
Total debt net of invested cash	5,754,659	6,017,404
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	78,601	82,651
Intangible assets acquired	22,748	21,475
Total cash capital expenditures	101,349	104,126
Equipment received for noncash consideration	1,237	649
Equipment financed under capital leases	3,042	655
Gross capital expenditures	\$ 105,628	\$ 105,430

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Fifty-two weeks ended March 1, 2014	Fifty-two weeks ended March 2, 2013
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 25,526,413	\$ 25,392,263
Cost of goods sold	18,202,679	18,073,987
Gross profit	7,323,734	7,318,276
LIFO charge (credit)	104,142	(147,882)
FIFO gross profit	7,427,876	7,170,394
Gross profit as a percentage of revenues	28.69%	28.82%
LIFO charge (credit) as a percentage of revenues	0.41%	-0.58%
FIFO gross profit as a percentage of revenues	29.10%	28.24%
Selling, general and administrative expenses	6,561,162	6,600,765
Selling, general and administrative expenses as a percentage of revenues	25.70%	26.00%
Cash interest expense	407,957	484,426
Non-cash interest expense	16,634	30,995
Total interest expense	424,591	515,421
Adjusted EBITDA	1,324,959	1,128,379
Adjusted EBITDA as a percentage of revenues	5.19%	4.44%
Net income	249,414	118,105
Net income as a percentage of revenues	0.98%	0.47%
Total debt	5,757,143	6,033,531
Invested cash	2,484	16,127
Total debt net of invested cash	5,754,659	6,017,404

SUPPLEMENTAL CASH FLOW INFORMATION

Payments for property, plant and equipment	333,870	315,846
Intangible assets acquired	87,353	67,134
Total cash capital expenditures	421,223	382,980
Equipment received for noncash consideration	2,825	3,285
Equipment financed under capital leases	18,065	7,906
Gross capital expenditures	\$ 442,113	\$ 394,171

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

	Thirteen weeks ended March 1, 2014	Thirteen weeks ended March 2, 2013
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 55,377	\$ 123,087
Adjustments:		
Interest expense	101,992	127,408
Income tax benefit	(6,006)	(46,782)
Adjustments to tax indemnification asset	32,356	31,077
Depreciation and amortization	102,060	102,951
LIFO charge (credit)	44,142	(175,384)
Lease termination and impairment charges	17,270	36,567
Stock-based compensation expense	4,000	4,845
Loss on sale of assets, net	412	2,491
Loss on debt retirements, net	-	122,660
Closed facility liquidation expense	1,001	1,009
Customer loyalty card program revenue deferral	3,501	10,317
Other	225	31
Adjusted EBITDA	<u>\$ 356,330</u>	<u>\$ 340,277</u>
Percent of revenues	5.40%	5.27%

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

	Fifty-two weeks ended March 1, 2014	Fifty-two weeks ended March 2, 2013
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 249,414	\$ 118,105
Adjustments:		
Interest expense	424,591	515,421
Income tax expense (benefit)	804	(110,600)
Adjustments to tax indemnification asset	30,516	91,314
Depreciation and amortization	403,741	414,111
LIFO charge (credit)	104,142	(147,882)
Lease termination and impairment charges	41,304	70,859
Stock-based compensation expense	16,194	17,717
Gain on sale of assets, net	(15,984)	(16,776)
Loss on debt retirements, net	62,443	140,502
Closed facility liquidation expense	3,849	5,272
Severance costs	-	(72)
Customer loyalty card program revenue deferral	2,679	26,564
Other	1,266	3,844
Adjusted EBITDA	<u>\$ 1,324,959</u>	<u>\$ 1,128,379</u>
Percent of revenues	5.19%	4.44%

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended March 1, 2014	Thirteen weeks ended March 2, 2013
OPERATING ACTIVITIES:		
Net income	\$ 55,377	\$ 123,087
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	102,060	102,951
Lease termination and impairment charges	17,270	36,567
LIFO charge (credit)	44,142	(175,384)
Loss on sale of assets, net	412	2,491
Stock-based compensation expense	4,000	4,845
Loss on debt retirements, net	-	122,660
Excess tax benefit on stock options	(26,665)	-
Changes in operating assets and liabilities:		
Accounts receivable	(107,946)	(13,011)
Inventories	262,965	117,045
Accounts payable	(125,934)	(55,566)
Other assets and liabilities, net	(31,553)	(45,334)
Net cash provided by operating activities	194,128	220,351
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(78,601)	(82,651)
Intangible assets acquired	(22,748)	(21,475)
Proceeds from dispositions of assets and investments	14,259	2,576
Proceeds from insured loss	9,006	-
Net cash used in investing activities	(78,084)	(101,550)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	1,631,000
Net (payments to) proceeds from revolver	(190,000)	665,000
Principal payments on long-term debt	(7,907)	(2,441,062)
Change in zero balance cash accounts	10,066	(152)
Net proceeds from the issuance of common stock	8,336	543
Financing fees paid for early debt redemption	-	(64,305)
Excess tax benefit on stock options	26,665	-
Deferred financing costs paid	(10)	(44,014)
Net cash used in financing activities	(152,850)	(252,990)
Decrease in cash and cash equivalents	(36,806)	(134,189)
Cash and cash equivalents, beginning of period	183,212	263,641
Cash and cash equivalents, end of period	\$ 146,406	\$ 129,452

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Fifty-two weeks ended March 1, 2014	Fifty-two weeks ended March 2, 2013
OPERATING ACTIVITIES:		
Net income	\$ 249,414	\$ 118,105
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	403,741	414,111
Lease termination and impairment charges	41,304	70,859
Gain from lease termination	(8,750)	-
LIFO charge (credit)	104,142	(147,882)
Gain on sale of assets, net	(15,984)	(16,776)
Stock-based compensation expense	16,194	17,717
Loss on debt retirements, net	62,443	140,502
Excess tax benefit on stock options	(26,665)	-
Changes in operating assets and liabilities:		
Accounts receivable	(28,051)	82,721
Inventories	56,557	130,100
Accounts payable	(100,774)	(68)
Other assets and liabilities, net	(51,525)	10,199
Net cash provided by operating activities	702,046	819,588
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(333,870)	(315,846)
Intangible assets acquired	(87,353)	(67,134)
Proceeds from sale-leaseback transactions	3,989	6,355
Proceeds from dispositions of assets and investments	28,416	30,320
Proceeds from lease termination	8,750	-
Proceeds from insured loss	15,144	-
Net cash used in investing activities	(364,924)	(346,305)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,310,000	2,057,263
Net (payments to) proceeds from revolver	(265,000)	529,000
Principal payments on long-term debt	(1,340,435)	(2,920,209)
Change in zero balance cash accounts	(95)	(43,659)
Net proceeds from the issuance of common stock	33,217	1,646
Payments for the repurchase of preferred stock	(21,034)	-
Financing fees paid for early debt redemption	(45,636)	(75,374)
Excess tax benefit on stock options	26,665	-
Deferred financing costs paid	(17,850)	(54,783)
Net cash used in financing activities	(320,168)	(506,116)
Increase (decrease) in cash and cash equivalents	16,954	(32,833)
Cash and cash equivalents, beginning of period	129,452	162,285
Cash and cash equivalents, end of period	\$ 146,406	\$ 129,452

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET INCOME GUIDANCE TO ADJUSTED EBITDA GUIDANCE
YEAR ENDING FEBRUARY 28, 2015
(In thousands, except per share amounts)

	Guidance Range	
	Low	High
Sales	\$ 26,000,000	\$ 26,500,000
Same store sales	2.50%	4.50%
Gross capital expenditures	\$ 525,000	\$ 525,000
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 313,000	\$ 423,000
Adjustments:		
Interest expense	390,000	390,000
Income tax expense	70,000	60,000
Depreciation and amortization	411,000	409,000
LIFO charge	50,000	35,000
Store closing and impairment charges	55,000	50,000
Loss on debt retirement	17,000	17,000
Other	19,000	16,000
Adjusted EBITDA	<u>\$ 1,325,000</u>	<u>\$ 1,400,000</u>
Diluted income per share	\$ 0.31	\$ 0.42