

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)  
(unaudited)

	May 31, 2014	March 1, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 166,003	\$ 146,406
Accounts receivable, net	910,624	949,062
Inventories, net of LIFO reserve of \$1,020,126 and \$1,018,581	2,933,316	2,993,948
Prepaid expenses and other current assets	188,593	195,709
Total current assets	4,198,536	4,285,125
Property, plant and equipment, net	1,974,204	1,957,329
Goodwill	83,971	-
Other intangibles, net	420,507	431,227
Other assets	269,299	271,190
Total assets	<u>\$ 6,946,517</u>	<u>\$ 6,944,871</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 112,818	\$ 49,174
Accounts payable	1,364,271	1,292,419
Accrued salaries, wages and other current liabilities	1,078,442	1,165,859
Total current liabilities	2,555,531	2,507,452
Long-term debt, less current maturities	5,519,580	5,632,798
Lease financing obligations, less current maturities	71,988	75,171
Other noncurrent liabilities	845,772	843,152
Total liabilities	8,992,871	9,058,573
Commitments and contingencies	-	-
Stockholders' deficit:		
Common stock	978,038	971,331
Additional paid-in capital	4,486,685	4,468,149
Accumulated deficit	(7,474,402)	(7,515,848)
Accumulated other comprehensive loss	(36,675)	(37,334)
Total stockholders' deficit	(2,046,354)	(2,113,702)
Total liabilities and stockholders' deficit	<u>\$ 6,946,517</u>	<u>\$ 6,944,871</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Thirteen weeks ended May 31, 2014	Thirteen weeks ended June 1, 2013
Revenues	\$ 6,465,531	\$ 6,293,057
Costs and expenses:		
Cost of goods sold	4,662,552	4,472,066
Selling, general and administrative expenses	1,644,354	1,609,261
Lease termination and impairment charges	4,848	10,972
Interest expense	100,820	113,064
Gain on sale of assets, net	(370)	(5,180)
	<u>6,412,204</u>	<u>6,200,183</u>
Income before income taxes	53,327	92,874
Income tax expense	11,881	3,212
Net income	<u>\$ 41,446</u>	<u>\$ 89,662</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 41,446	\$ 89,662
Accretion of redeemable preferred stock	-	(25)
Cumulative preferred stock dividends	-	(2,732)
Income attributable to common stockholders - basic	<u>41,446</u>	<u>86,905</u>
Add back - Interest on convertible notes	-	1,364
Add back - Cumulative preferred stock dividends	-	2,732
Income attributable to common stockholders - diluted	<u>\$ 41,446</u>	<u>\$ 91,001</u>
Denominator:		
Basic weighted average shares	963,332	893,871
Outstanding options and restricted shares, net	33,222	38,812
Convertible preferred stock	-	33,605
Convertible notes	-	24,800
Diluted weighted average shares	<u>996,554</u>	<u>991,088</u>
Basic income per share	\$ 0.04	\$ 0.10
Diluted income per share	\$ 0.04	\$ 0.09

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended May 31, 2014	Thirteen weeks ended June 1, 2013
Net income	\$ 41,446	\$ 89,662
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	659	1,263
Total other comprehensive income	659	1,263
Comprehensive income	\$ 42,105	\$ 90,925

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Thirteen weeks ended May 31, 2014	Thirteen weeks ended June 1, 2013
<b>SUPPLEMENTAL OPERATING INFORMATION</b>		
Revenues	\$ 6,465,531	\$ 6,293,057
Cost of goods sold	<u>4,662,552</u>	<u>4,472,066</u>
Gross profit	1,802,979	1,820,991
LIFO charge	<u>1,545</u>	<u>12,000</u>
FIFO gross profit	1,804,524	1,832,991
Gross profit as a percentage of revenues	27.89%	28.94%
LIFO charge as a percentage of revenues	0.02%	0.19%
FIFO gross profit as a percentage of revenues	27.91%	29.13%
Selling, general and administrative expenses	1,644,354	1,609,261
Selling, general and administrative expenses as a percentage of revenues	25.43%	25.57%
Cash interest expense	96,435	108,548
Non-cash interest expense	<u>4,385</u>	<u>4,516</u>
Total interest expense	100,820	113,064
Adjusted EBITDA	282,613	344,778
Adjusted EBITDA as a percentage of revenues	4.37%	5.48%
Net income	41,446	89,662
Net income as a percentage of revenues	0.64%	1.42%
Total debt	5,704,386	5,911,665
Invested cash	<u>1,990</u>	<u>1,289</u>
Total debt net of invested cash	5,702,396	5,910,376
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Payments for property, plant and equipment	94,342	80,906
Intangible assets acquired	<u>19,586</u>	<u>11,786</u>
Total cash capital expenditures	113,928	92,692
Equipment financed under capital leases	<u>1,683</u>	<u>5,373</u>
Gross capital expenditures	<u>\$ 115,611</u>	<u>\$ 98,065</u>

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

	Thirteen weeks ended May 31, 2014	Thirteen weeks ended June 1, 2013
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 41,446	\$ 89,662
Adjustments:		
Interest expense	100,820	113,064
Income tax expense	11,881	3,212
Depreciation and amortization	103,105	101,246
LIFO charge	1,545	12,000
Lease termination and impairment charges	4,848	10,972
Other	18,968	14,622
Adjusted EBITDA	<u>\$ 282,613</u>	<u>\$ 344,778</u>
Percent of revenues	<u>4.37%</u>	<u>5.48%</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended May 31, 2014	Thirteen weeks ended June 1, 2013
OPERATING ACTIVITIES:		
Net income	\$ 41,446	\$ 89,662
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	103,105	101,246
Lease termination and impairment charges	4,848	10,972
LIFO charge	1,545	12,000
Gain on sale of assets, net	(370)	(5,180)
Stock-based compensation expense	4,156	4,240
Excess tax benefit on stock options	(10,522)	-
Changes in operating assets and liabilities:		
Accounts receivable	41,347	47,797
Inventories	59,375	6,935
Accounts payable	86,324	(15,547)
Other assets and liabilities, net	(91,506)	(67,678)
Net cash provided by operating activities	239,748	184,447
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(94,342)	(80,906)
Intangible assets acquired	(19,586)	(11,786)
Acquisition of Health Dialog and RediClinic, net of cash acquired	(65,306)	-
Proceeds from sale-leaseback transactions	-	3,989
Proceeds from dispositions of assets and investments	1,873	6,610
Net cash used in investing activities	(177,361)	(82,093)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,152,293	-
Net payments to revolver	(49,000)	(123,000)
Principal payments on long-term debt	(1,157,443)	(4,378)
Change in zero balance cash accounts	(8,578)	(867)
Net proceeds from the issuance of common stock	10,904	6,744
Excess tax benefit on stock options	10,522	-
Deferred financing costs paid	(1,488)	(1,403)
Net cash used in financing activities	(42,790)	(122,904)
Increase (decrease) in cash and cash equivalents	19,597	(20,550)
Cash and cash equivalents, beginning of period	146,406	129,452
Cash and cash equivalents, end of period	\$ 166,003	\$ 108,902

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	\$ 298,000	\$ 408,000
Adjustments:		
Interest expense	390,000	390,000
Income tax expense	70,000	60,000
Depreciation and amortization	411,000	409,000
LIFO charge	15,000	-
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>\$ 1,275,000</u>	<u>\$ 1,350,000</u>
Diluted income per share	\$ 0.30	\$ 0.40