

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	August 30, 2014	March 1, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 185,758	\$ 146,406
Accounts receivable, net	954,785	949,062
Inventories, net of LIFO reserve of \$1,021,670 and \$1,018,581	2,922,203	2,993,948
Prepaid expenses and other current assets	131,281	195,709
Total current assets	4,194,027	4,285,125
Property, plant and equipment, net	2,006,872	1,957,329
Goodwill	73,103	-
Other intangibles, net	411,295	431,227
Other assets	274,047	271,190
Total assets	<u>\$ 6,959,344</u>	<u>\$ 6,944,871</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 113,070	\$ 49,174
Accounts payable	1,205,834	1,292,419
Accrued salaries, wages and other current liabilities	1,092,072	1,165,859
Total current liabilities	2,410,976	2,507,452
Long-term debt, less current maturities	5,570,583	5,632,798
Lease financing obligations, less current maturities	68,633	75,171
Other noncurrent liabilities	815,677	843,152
Total liabilities	8,865,869	9,058,573
Commitments and contingencies	-	-
Stockholders' deficit:		
Common stock	981,339	971,331
Additional paid-in capital	4,494,704	4,468,149
Accumulated deficit	(7,346,553)	(7,515,848)
Accumulated other comprehensive loss	(36,015)	(37,334)
Total stockholders' deficit	(1,906,525)	(2,113,702)
Total liabilities and stockholders' deficit	<u>\$ 6,959,344</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 August 30, 2014	Thirteen weeks ended August 31, 2013
Revenues	\$ 6,522,584	\$ 6,278,165
Costs and expenses:		
Cost of goods sold	4,628,005	4,461,804
Selling, general and administrative expenses	1,640,524	1,602,931
Lease termination and impairment charges	7,111	11,390
Interest expense	100,950	106,716
Loss on debt retirements, net	-	62,172
Gain on sale of assets, net	(1,715)	(1,885)
	<u>6,374,875</u>	<u>6,243,128</u>
Income before income taxes	147,709	35,037
Income tax expense	19,860	2,210
Net income	<u>\$ 127,849</u>	<u>\$ 32,827</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 127,849	\$ 32,827
Accretion of redeemable preferred stock	-	(26)
Cumulative preferred stock dividends	-	(2,772)
Income attributable to common stockholders - basic	<u>127,849</u>	<u>30,029</u>
Add back - Interest on convertible notes	1,364	-
Income attributable to common stockholders - diluted	<u>\$ 129,213</u>	<u>\$ 30,029</u>
Denominator:		
Basic weighted average shares	970,664	901,992
Outstanding options and restricted shares, net	26,132	44,726
Convertible notes	<u>24,796</u>	<u>-</u>
Diluted weighted average shares	<u>1,021,592</u>	<u>946,718</u>
Basic and diluted income per share	\$ 0.13	\$ 0.03

RITE AID CORPORATION AND SUBSIDIARIES

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

	Twenty-six weeks ended August 30, 2014	Twenty-six weeks ended August 31, 2013
Revenues	\$ 12,988,115	\$ 12,571,222
Costs and expenses:		
Cost of goods sold	9,290,557	8,933,870
Selling, general and administrative expenses	3,284,878	3,212,192
Lease termination and impairment charges	11,959	22,362
Interest expense	201,770	219,780
Loss on debt retirements, net	-	62,172
Gain on sale of assets, net	(2,085)	(7,065)
	<u>12,787,079</u>	<u>12,443,311</u>
Income before income taxes	201,036	127,911
Income tax expense	31,741	5,422
Net income	<u>\$ 169,295</u>	<u>\$ 122,489</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 169,295	\$ 122,489
Accretion of redeemable preferred stock	-	(51)
Cumulative preferred stock dividends	-	(5,504)
Income attributable to common stockholders - basic	<u>169,295</u>	<u>116,934</u>
Add back - Interest on convertible notes	<u>2,728</u>	<u>2,728</u>
Income attributable to common stockholders - diluted	<u>\$ 172,023</u>	<u>\$ 119,662</u>
Denominator:		
Basic weighted average shares	966,997	897,993
Outstanding options and restricted shares, net	26,141	40,143
Convertible notes	<u>24,796</u>	<u>24,800</u>
Diluted weighted average shares	<u>1,017,934</u>	<u>962,936</u>
Basic income per share	\$ 0.18	\$ 0.13
Diluted income per share	\$ 0.17	\$ 0.12

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended August 30, 2014	Thirteen weeks ended August 31, 2013
Net income	\$ 127,849	\$ 32,827
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	660	1,262
Total other comprehensive income	660	1,262
Comprehensive income	\$ 128,509	\$ 34,089

RITE AID CORPORATION AND SUBSIDIARIES

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

	Twenty-six weeks ended August 30, 2014	Twenty-six weeks ended August 31, 2013
Net income	\$ 169,295	\$ 122,489
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	1,319	2,525
Total other comprehensive income	1,319	2,525
Comprehensive income	\$ 170,614	\$ 125,014

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Thirteen weeks ended August 30, 2014	Thirteen weeks ended August 31, 2013
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 6,522,584	\$ 6,278,165
Cost of goods sold	4,628,005	4,461,804
Gross profit	1,894,579	1,816,361
LIFO charge	1,544	23,000
FIFO gross profit	1,896,123	1,839,361
Gross profit as a percentage of revenues	29.05%	28.93%
LIFO charge as a percentage of revenues	0.02%	0.37%
FIFO gross profit as a percentage of revenues	29.07%	29.30%
Selling, general and administrative expenses	1,640,524	1,602,931
Selling, general and administrative expenses as a percentage of revenues	25.15%	25.53%
Cash interest expense	96,558	102,556
Non-cash interest expense	4,392	4,160
Total interest expense	100,950	106,716
Adjusted EBITDA	364,166	341,589
Adjusted EBITDA as a percentage of revenues	5.58%	5.44%
Net income	127,849	32,827
Net income as a percentage of revenues	1.96%	0.52%
Total debt	5,752,286	6,051,559
Invested cash	50,577	1,629
Total debt net of invested cash	5,701,709	6,049,930
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	99,291	89,944
Intangible assets acquired	20,437	23,865
Total cash capital expenditures	119,728	113,809
Equipment received for noncash consideration	1,337	-
Equipment financed under capital leases	2,242	7,744
Gross capital expenditures	\$ 123,307	\$ 121,553

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Twenty-six weeks ended August 30, 2014	Twenty-six weeks ended August 31, 2013
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 12,988,115	\$ 12,571,222
Cost of goods sold	9,290,557	8,933,870
Gross profit	3,697,558	3,637,352
LIFO charge	3,089	35,000
FIFO gross profit	3,700,647	3,672,352
Gross profit as a percentage of revenues	28.47%	28.93%
LIFO charge as a percentage of revenues	0.02%	0.28%
FIFO gross profit as a percentage of revenues	28.49%	29.21%
Selling, general and administrative expenses	3,284,878	3,212,192
Selling, general and administrative expenses as a percentage of revenues	25.29%	25.55%
Cash interest expense	192,993	211,104
Non-cash interest expense	8,777	8,676
Total interest expense	201,770	219,780
Adjusted EBITDA	646,779	686,367
Adjusted EBITDA as a percentage of revenues	4.98%	5.46%
Net income	169,295	122,489
Net income as a percentage of revenues	1.30%	0.97%
Total debt	5,752,286	6,051,559
Invested cash	50,577	1,629
Total debt net of invested cash	5,701,709	6,049,930
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	193,633	170,850
Intangible assets acquired	40,023	35,651
Total cash capital expenditures	233,656	206,501
Equipment received for noncash consideration	1,337	-
Equipment financed under capital leases	3,925	13,117
Gross capital expenditures	\$ 238,918	\$ 219,618

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

	Thirteen weeks ended August 30, 2014	Thirteen weeks ended August 31, 2013
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 127,849	\$ 32,827
Adjustments:		
Interest expense	100,950	106,716
Income tax expense	19,860	2,210
Depreciation and amortization	101,484	99,247
LIFO charge	1,544	23,000
Lease termination and impairment charges	7,111	11,390
Other	5,368	66,199
Adjusted EBITDA	<u>\$ 364,166</u>	<u>\$ 341,589</u>
Percent of revenues	5.58%	5.44%

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

	Twenty-six weeks ended August 30, 2014	Twenty-six weeks ended August 31, 2013
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 169,295	\$ 122,489
Adjustments:		
Interest expense	201,770	219,780
Income tax expense	31,741	5,422
Depreciation and amortization	204,589	200,493
LIFO charge	3,089	35,000
Lease termination and impairment charges	11,959	22,362
Other	24,336	80,821
Adjusted EBITDA	<u>\$ 646,779</u>	<u>\$ 686,367</u>
Percent of revenues	4.98%	5.46%

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended August 30, 2014	Thirteen weeks ended August 31, 2013
OPERATING ACTIVITIES:		
Net income	\$ 127,849	\$ 32,827
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	101,484	99,247
Lease termination and impairment charges	7,111	11,390
LIFO charge	1,544	23,000
Gain on sale of assets, net	(1,715)	(1,885)
Stock-based compensation expense	5,736	3,837
Loss on debt retirements, net	-	62,172
Excess tax benefit on stock options	(16,536)	-
Changes in operating assets and liabilities:		
Accounts receivable	(40,906)	(41,054)
Inventories	9,542	(102,861)
Accounts payable	(113,074)	51,747
Other assets and liabilities, net	41,448	(58,955)
Net cash provided by operating activities	122,483	79,465
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(99,291)	(89,944)
Intangible assets acquired	(20,437)	(23,865)
Acquisition of Health Dialog and RediClinic, net of cash acquired	(4,487)	-
Proceeds from dispositions of assets and investments	4,229	3,088
Net cash used in investing activities	(119,986)	(110,721)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	1,310,000
Net proceeds from revolver	54,000	135,000
Principal payments on long-term debt	(8,180)	(1,317,593)
Change in zero balance cash accounts	(48,967)	(4,452)
Net proceeds from the issuance of common stock	3,887	5,519
Financing fees paid for early debt redemption	-	(45,636)
Excess tax benefit on stock options	16,536	-
Deferred financing costs paid	(18)	(16,317)
Net cash provided by financing activities	17,258	66,521
Increase in cash and cash equivalents	19,755	35,265
Cash and cash equivalents, beginning of period	166,003	108,902
Cash and cash equivalents, end of period	\$ 185,758	\$ 144,167

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Twenty-six weeks ended August 30, 2014	Twenty-six weeks ended August 31, 2013
OPERATING ACTIVITIES:		
Net income	\$ 169,295	\$ 122,489
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	204,589	200,493
Lease termination and impairment charges	11,959	22,362
LIFO charge	3,089	35,000
Gain on sale of assets, net	(2,085)	(7,065)
Stock-based compensation expense	9,892	8,077
Loss on debt retirements, net	-	62,172
Excess tax benefit on stock options	(27,058)	-
Changes in operating assets and liabilities:		
Accounts receivable	441	6,743
Inventories	68,917	(95,926)
Accounts payable	(26,750)	36,200
Other assets and liabilities, net	(50,058)	(126,633)
Net cash provided by operating activities	362,231	263,912
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(193,633)	(170,850)
Intangible assets acquired	(40,023)	(35,651)
Acquisition of Health Dialog and RediClinic, net of cash acquired	(69,793)	-
Proceeds from sale-leaseback transactions	-	3,989
Proceeds from dispositions of assets and investments	6,102	9,698
Net cash used in investing activities	(297,347)	(192,814)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,152,293	1,310,000
Net proceeds from revolver	5,000	12,000
Principal payments on long-term debt	(1,165,623)	(1,321,971)
Change in zero balance cash accounts	(57,545)	(5,319)
Net proceeds from the issuance of common stock	14,791	12,263
Financing fees paid for early debt redemption	-	(45,636)
Excess tax benefit on stock options	27,058	-
Deferred financing costs paid	(1,506)	(17,720)
Net cash used in financing activities	(25,532)	(56,383)
Increase in cash and cash equivalents	39,352	14,715
Cash and cash equivalents, beginning of period	146,406	129,452
Cash and cash equivalents, end of period	\$ 185,758	\$ 144,167

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	\$ 26,300,000
Same store sales	3.00%	4.00%
Gross capital expenditures	\$ 525,000	\$ 525,000
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 223,000	\$ 333,000
Adjustments:		
Interest expense	393,000	393,000
Income tax expense	55,000	45,000
Depreciation and amortization	418,000	416,000
LIFO charge	15,000	-
Store closing and impairment charges	50,000	46,000
Loss on debt retirement	18,000	18,000
Other	28,000	24,000
Adjusted EBITDA	<u>\$ 1,200,000</u>	<u>\$ 1,275,000</u>
 Diluted income per share	 \$ 0.22	 \$ 0.33