

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	November 29, 2014	March 1, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 232,954	\$ 146,406
Accounts receivable, net	996,545	949,062
Inventories, net of LIFO reserve of \$1,023,213 and \$1,018,581	2,997,595	2,993,948
Prepaid expenses and other current assets	132,873	195,709
Total current assets	4,359,967	4,285,125
Property, plant and equipment, net	2,062,376	1,957,329
Goodwill	76,124	-
Other intangibles, net	420,415	431,227
Other assets	267,104	271,190
Total assets	<u>\$ 7,185,986</u>	<u>\$ 6,944,871</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 111,613	\$ 49,174
Accounts payable	1,205,887	1,292,419
Accrued salaries, wages and other current liabilities	1,147,174	1,165,859
Total current liabilities	2,464,674	2,507,452
Long-term debt, less current maturities	5,673,591	5,632,798
Lease financing obligations, less current maturities	65,483	75,171
Other noncurrent liabilities	774,896	843,152
Total liabilities	8,978,644	9,058,573
Commitments and contingencies	-	-
Stockholders' deficit:		
Common stock	981,773	971,331
Additional paid-in capital	4,502,631	4,468,149
Accumulated deficit	(7,241,707)	(7,515,848)
Accumulated other comprehensive loss	(35,355)	(37,334)
Total stockholders' deficit	(1,792,658)	(2,113,702)
Total liabilities and stockholders' deficit	<u>\$ 7,185,986</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 November 29, 2014	Thirteen weeks ended November 30, 2013
Revenues	\$ 6,692,333	\$ 6,357,732
Costs and expenses:		
Cost of goods sold	4,769,020	4,557,066
Selling, general and administrative expenses	1,692,437	1,632,299
Lease termination and impairment charges	8,702	1,672
Interest expense	97,400	102,819
Loss on debt retirements, net	18,512	271
Gain on sale of assets, net	(455)	(9,331)
	<u>6,585,616</u>	<u>6,284,796</u>
Income before income taxes	106,717	72,936
Income tax expense	1,871	1,388
Net income	<u>\$ 104,846</u>	<u>\$ 71,548</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 104,846	\$ 71,548
Accretion of redeemable preferred stock	-	(26)
Cumulative preferred stock dividends	-	(2,814)
Conversion of Series G and H preferred stock	-	(25,603)
Income attributable to common stockholders - basic	<u>104,846</u>	<u>43,105</u>
Add back - Interest on convertible notes	1,364	-
Income attributable to common stockholders - diluted	<u>\$ 106,210</u>	<u>\$ 43,105</u>
Denominator:		
Basic weighted average shares	972,688	938,994
Outstanding options and restricted shares, net	22,793	48,843
Convertible notes	<u>24,796</u>	<u>-</u>
Diluted weighted average shares	<u>1,020,277</u>	<u>987,837</u>
Basic income per share	\$ 0.11	\$ 0.05
Diluted income per share	\$ 0.10	\$ 0.04

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirty-nine weeks ended November 29, 2014	Thirty-nine weeks ended November 30, 2013
Revenues	\$ 19,680,448	\$ 18,928,954
Costs and expenses:		
Cost of goods sold	14,059,577	13,490,936
Selling, general and administrative expenses	4,977,315	4,844,491
Lease termination and impairment charges	20,661	24,034
Interest expense	299,170	322,599
Loss on debt retirements, net	18,512	62,443
Gain on sale of assets, net	(2,540)	(16,396)
	<u>19,372,695</u>	<u>18,728,107</u>
Income before income taxes	307,753	200,847
Income tax expense	33,612	6,810
Net income	<u>\$ 274,141</u>	<u>\$ 194,037</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 274,141	\$ 194,037
Accretion of redeemable preferred stock	-	(77)
Cumulative preferred stock dividends	-	(8,318)
Conversion of Series G and H preferred stock	-	(25,603)
Income attributable to common stockholders - basic	<u>274,141</u>	<u>160,039</u>
Add back - Interest on convertible notes	4,092	-
Income attributable to common stockholders - diluted	<u>\$ 278,233</u>	<u>\$ 160,039</u>
Denominator:		
Basic weighted average shares	968,897	911,608
Outstanding options and restricted shares, net	25,330	41,227
Convertible notes	<u>24,796</u>	<u>-</u>
Diluted weighted average shares	<u>1,019,023</u>	<u>952,835</u>
Basic income per share	\$ 0.28	\$ 0.18
Diluted income per share	\$ 0.27	\$ 0.17

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended November 29, 2014	Thirteen weeks ended November 30, 2013
Net income	\$ 104,846	\$ 71,548
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	1,263
Total other comprehensive income	660	1,263
Comprehensive income	\$ 105,506	\$ 72,811

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirty-nine weeks ended November 29, 2014	Thirty-nine weeks ended November 30, 2013
Net income	\$ 274,141	\$ 194,037
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	1,979	3,788
Total other comprehensive income	1,979	3,788
Comprehensive income	<u>\$ 276,120</u>	<u>\$ 197,825</u>

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Thirteen weeks ended November 29, 2014	Thirteen weeks ended November 30, 2013
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 6,692,333	\$ 6,357,732
Cost of goods sold	4,769,020	4,557,066
Gross profit	1,923,313	1,800,666
LIFO charge	1,543	25,000
FIFO gross profit	1,924,856	1,825,666
Gross profit as a percentage of revenues	28.74%	28.32%
LIFO charge as a percentage of revenues	0.02%	0.39%
FIFO gross profit as a percentage of revenues	28.76%	28.72%
Selling, general and administrative expenses	1,692,437	1,632,299
Selling, general and administrative expenses as a percentage of revenues	25.29%	25.67%
Cash interest expense	93,142	98,838
Non-cash interest expense	4,258	3,981
Total interest expense	97,400	102,819
Adjusted EBITDA	332,769	282,262
Adjusted EBITDA as a percentage of revenues	4.97%	4.44%
Net income	104,846	71,548
Net income as a percentage of revenues	1.57%	1.13%
Total debt	5,850,687	5,952,426
Invested cash	862	11,323
Total debt net of invested cash	5,849,825	5,941,103
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	131,305	84,419
Intangible assets acquired	39,586	28,954
Total cash capital expenditures	170,891	113,373
Equipment received for noncash consideration	263	1,588
Equipment financed under capital leases	824	1,906
Gross capital expenditures	\$ 171,978	\$ 116,867

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirty-nine weeks ended November 29, 2014	Thirty-nine weeks ended November 30, 2013
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 19,680,448	\$ 18,928,954
Cost of goods sold	14,059,577	13,490,936
Gross profit	5,620,871	5,438,018
LIFO charge	4,632	60,000
FIFO gross profit	5,625,503	5,498,018
Gross profit as a percentage of revenues	28.56%	28.73%
LIFO charge as a percentage of revenues	0.02%	0.32%
FIFO gross profit as a percentage of revenues	28.58%	29.05%
Selling, general and administrative expenses	4,977,315	4,844,491
Selling, general and administrative expenses as a percentage of revenues	25.29%	25.59%
Cash interest expense	286,135	309,942
Non-cash interest expense	13,035	12,657
Total interest expense	299,170	322,599
Adjusted EBITDA	979,548	968,629
Adjusted EBITDA as a percentage of revenues	4.98%	5.12%
Net income	274,141	194,037
Net income as a percentage of revenues	1.39%	1.03%
Total debt	5,850,687	5,952,426
Invested cash	862	11,323
Total debt net of invested cash	5,849,825	5,941,103
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	324,938	255,269
Intangible assets acquired	79,609	64,605
Total cash capital expenditures	404,547	319,874
Equipment received for noncash consideration	1,600	1,588
Equipment financed under capital leases	4,749	15,023
Gross capital expenditures	\$ 410,896	\$ 336,485

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

	Thirteen weeks ended November 29, 2014	Thirteen weeks ended November 30, 2013
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 104,846	\$ 71,548
Adjustments:		
Interest expense	97,400	102,819
Income tax expense	1,871	1,388
Depreciation and amortization	104,614	101,188
LIFO charge	1,543	25,000
Lease termination and impairment charges	8,702	1,672
Other	13,793	(21,353)
Adjusted EBITDA	<u>\$ 332,769</u>	<u>\$ 282,262</u>
Percent of revenues	4.97%	4.44%

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

	Thirty-nine weeks ended November 29, 2014	Thirty-nine weeks ended November 30, 2013
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 274,141	\$ 194,037
Adjustments:		
Interest expense	299,170	322,599
Income tax expense	33,612	6,810
Depreciation and amortization	309,203	301,681
LIFO charge	4,632	60,000
Lease termination and impairment charges	20,661	24,034
Other	38,129	59,468
Adjusted EBITDA	<u>\$ 979,548</u>	<u>\$ 968,629</u>
Percent of revenues	4.98%	5.12%

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended November 29, 2014	Thirteen weeks ended November 30, 2013
OPERATING ACTIVITIES:		
Net income	\$ 104,846	\$ 71,548
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	104,614	101,188
Lease termination and impairment charges	8,702	1,672
Gain from lease termination	-	(8,750)
LIFO charge	1,543	25,000
Gain on sale of assets, net	(455)	(9,331)
Stock-based compensation expense	7,040	4,117
Loss on debt retirements, net	18,512	271
Excess tax benefit on stock options	(589)	-
Changes in operating assets and liabilities:		
Accounts receivable	(41,934)	76,532
Inventories	(76,955)	(110,482)
Accounts payable	(18,297)	(11,040)
Other assets and liabilities, net	4,701	106,661
Net cash provided by operating activities	<u>111,728</u>	<u>247,386</u>
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(131,305)	(84,419)
Intangible assets acquired	(39,586)	(28,954)
Proceeds from dispositions of assets and investments	4,457	4,459
Proceeds from lease termination	-	8,750
Proceeds from insured loss	-	2,758
Net cash used in investing activities	<u>(166,434)</u>	<u>(97,406)</u>
FINANCING ACTIVITIES:		
Net proceeds from (payments to) revolver	375,000	(87,000)
Principal payments on long-term debt	(278,189)	(10,557)
Change in zero balance cash accounts	17,611	(4,842)
Net proceeds from the issuance of common stock	732	12,618
Payments for the repurchase of preferred stock	-	(21,034)
Financing fees paid for early debt redemption	(13,841)	-
Excess tax benefit on stock options	589	-
Deferred financing costs paid	-	(120)
Net cash provided by (used in) financing activities	<u>101,902</u>	<u>(110,935)</u>
Increase in cash and cash equivalents	47,196	39,045
Cash and cash equivalents, beginning of period	185,758	144,167
Cash and cash equivalents, end of period	<u>\$ 232,954</u>	<u>\$ 183,212</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirty-nine weeks ended November 29, 2014	Thirty-nine weeks ended November 30, 2013
OPERATING ACTIVITIES:		
Net income	\$ 274,141	\$ 194,037
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	309,203	301,681
Lease termination and impairment charges	20,661	24,034
Gain from lease termination	-	(8,750)
LIFO charge	4,632	60,000
Gain on sale of assets, net	(2,540)	(16,396)
Stock-based compensation expense	16,932	12,194
Loss on debt retirements, net	18,512	62,443
Excess tax benefit on stock options	(27,647)	-
Changes in operating assets and liabilities:		
Accounts receivable	(41,493)	79,895
Inventories	(8,038)	(206,408)
Accounts payable	(45,047)	25,160
Other assets and liabilities, net	(45,357)	(19,972)
Net cash provided by operating activities	473,959	507,918
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(324,938)	(255,269)
Intangible assets acquired	(79,609)	(64,605)
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	10,559	14,157
Proceeds from lease termination	-	8,750
Proceeds from insured loss	-	6,138
Net cash used in investing activities	(463,781)	(286,840)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,152,293	1,310,000
Net proceeds from (payments to) revolver	380,000	(75,000)
Principal payments on long-term debt	(1,443,812)	(1,332,528)
Change in zero balance cash accounts	(39,934)	(10,161)
Net proceeds from the issuance of common stock	15,523	24,881
Payments for the repurchase of preferred stock	-	(21,034)
Financing fees paid for early debt redemption	(13,841)	(45,636)
Excess tax benefit on stock options	27,647	-
Deferred financing costs paid	(1,506)	(17,840)
Net cash provided by (used in) financing activities	76,370	(167,318)
Increase in cash and cash equivalents	86,548	53,760
Cash and cash equivalents, beginning of period	146,406	129,452
Cash and cash equivalents, end of period	\$ 232,954	\$ 183,212

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	\$ 26,250,000	\$ 26,400,000
Same store sales	3.75%	4.25%
Gross capital expenditures	\$ 525,000	\$ 525,000
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 315,000	\$ 370,000
Adjustments:		
Interest expense	393,000	393,000
Income tax expense	35,000	35,000
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	31,000	27,000
Adjusted EBITDA	<u>\$ 1,275,000</u>	<u>\$ 1,305,000</u>
Diluted income per share	\$ 0.31	\$ 0.37