

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	<u>May 31, 2008</u>	<u>March 1, 2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 152,189	\$ 155,762
Accounts receivable, net	645,592	665,971
Inventories, net of LIFO reserve of \$577,823 and \$562,729	3,942,922	3,936,827
Prepaid expenses and other current assets	157,584	163,334
Total current assets	<u>4,898,287</u>	<u>4,921,894</u>
Property, plant and equipment, net	2,809,987	2,873,009
Goodwill	1,810,223	1,783,372
Other intangibles, net	1,168,774	1,187,327
Deferred tax assets	355,533	384,163
Other assets	359,878	338,258
Total assets	<u>\$ 11,402,682</u>	<u>\$ 11,488,023</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 36,962	\$ 185,609
Accounts payable	1,315,825	1,425,768
Accrued salaries, wages and other current liabilities	1,083,708	1,110,288
Deferred tax liabilities	47,744	76,374
Total current liabilities	<u>2,484,239</u>	<u>2,798,039</u>
Long-term debt, less current maturities	5,952,423	5,610,489
Lease financing obligations, less current maturities	191,279	189,426
Other noncurrent liabilities	1,211,890	1,178,884
Total liabilities	<u>9,839,831</u>	<u>9,776,838</u>
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock - Series G	141,690	139,253
Preferred stock - Series H	137,230	135,202
Preferred stock - Series I	58,358	116,415
Common stock	845,088	830,209
Additional paid-in capital	4,094,170	4,047,499
Accumulated deficit	(3,693,929)	(3,537,276)
Accumulated other comprehensive loss	(19,756)	(20,117)
Total stockholders' equity	<u>1,562,851</u>	<u>1,711,185</u>
Total liabilities and stockholders' equity	<u>\$ 11,402,682</u>	<u>\$ 11,488,023</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(unaudited)

	Thirteen Weeks ended May 31, 2008	Thirteen Weeks ended June 2, 2007
Revenues	\$ 6,612,856	\$ 4,430,413
Costs and expenses:		
Cost of goods sold	4,804,610	3,214,834
Selling, general and administrative expenses	1,792,974	1,119,642
Store closing and impairment charges	36,262	4,030
Interest expense	118,240	68,725
Loss on debt modifications and retirements, net	3,708	-
Loss (gain) on sale of assets, net	5,340	(4,230)
	<u>6,761,134</u>	<u>4,403,001</u>
(Loss) income from continuing operations before income taxes	(148,278)	27,412
Income tax expense (benefit)	4,993	(900)
	<u>(153,271)</u>	<u>28,312</u>
Net (loss) income from continuing operations	(153,271)	28,312
Loss from discontinued operations	(3,369)	(678)
	<u>(156,640)</u>	<u>27,634</u>
Net (loss) income	<u>\$ (156,640)</u>	<u>\$ 27,634</u>
Basic and diluted (loss) income per share:		
Numerator for (loss) income per share:		
Net (loss) income	\$ (156,640)	\$ 27,634
Accretion of redeemable preferred stock	(25)	(25)
Cumulative preferred stock dividends	(6,122)	(8,030)
Preferred stock beneficial conversion	-	(76)
(Loss) income attributable to common stockholders - basic and diluted	<u>\$ (162,787)</u>	<u>\$ 19,503</u>
Denominator:		
Basic weighted average shares	823,086	531,039
Outstanding options and restricted shares	-	19,299
	<u>823,086</u>	<u>550,338</u>
Diluted weighted average shares	<u>823,086</u>	<u>550,338</u>
Basic and diluted (loss) income per share	\$ (0.20)	\$ 0.04

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

	Thirteen Weeks ended May 31, 2008	Thirteen Weeks ended June 2, 2007
Reconciliation of net (loss) income to adjusted EBITDA:		
Net (loss) income	\$ (156,640)	\$ 27,634
Adjustments:		
Interest expense	118,240	68,725
Income tax expense (benefit)	4,993	(1,265)
Depreciation and amortization	145,041	67,919
LIFO charges (a)	15,094	9,291
Store closing and impairment charges	36,262	4,030
Stock-based compensation expense	8,679	6,614
Loss (gain) on sale of assets, net	5,388	(4,230)
Loss on debt modifications and retirements, net (b)	3,708	-
Incremental acquisition costs (c)	44,491	11,165
Closed store liquidation expense (d)	4,860	2,099
Other	6,313	834
Adjusted EBITDA	<u>\$ 236,429</u>	<u>\$ 192,816</u>
Percent of revenues	3.58%	4.35%
Results of discontinued operations (e)	1,882	782
Adjusted EBITDA from continuing operations	<u>\$ 238,311</u>	<u>\$ 193,598</u>

Notes:

- (a) Represents non-cash charges to value our inventories under the last-in first-out ("LIFO") method.
- (b) Represents loss related to debt modifications and retirements, net
- (c) Represents incremental costs related to the acquisition of Jean Coutu, USA.
- (d) Represents costs to liquidate inventory at stores that are in the process of closing.
- (e) Represents losses from our recently disposed Las Vegas market that are included in Adjusted EBITDA.

RITE AID CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(unaudited)

	Thirteen Weeks ended May 31, 2008	Thirteen Weeks ended June 2, 2007
OPERATING ACTIVITIES:		
Net (loss) income	\$ (156,640)	\$ 27,634
Adjustments to reconcile to net cash (used in) provided by operating activities:		
Depreciation and amortization	145,041	67,919
Store closing and impairment charges	36,262	4,030
LIFO charges	15,094	9,291
Loss (gain) on sale of assets, net	5,388	(4,230)
Stock-based compensation expense	8,679	6,614
Loss on debt modifications and retirements, net	3,708	-
Changes in deferred taxes	-	1,161
Proceeds from insured loss	-	7,258
Changes in operating assets and liabilities:		
Net proceeds from accounts receivable securitization	70,000	30,000
Accounts receivable	(48,842)	(43,010)
Inventories	(51,103)	9,109
Accounts payable	(116,929)	51,180
Other assets and liabilities, net	(15,986)	19,328
Net cash (used in) provided by operating activities	(105,328)	186,284
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(149,876)	(117,500)
Intangible assets acquired	(36,122)	(13,801)
Expenditures for business acquisition	(112)	(1,237,512)
Proceeds from sale-leaseback transactions	87,620	-
Proceeds from dispositions of assets and investments	4,676	4,711
Proceeds from insured loss	-	5,542
Net cash used in investing activities	(93,814)	(1,358,560)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	158,000	1,201,005
Net proceeds from (payments to) revolver	186,000	(39,000)
Proceeds from financing secured by owned property	11,132	-
Principal payments on long-term debt	(154,965)	(3,191)
Change in zero balance cash accounts	5,542	12,946
Net proceeds from the issuance of common stock	1,117	9,095
Payments for preferred stock dividends	(1,657)	(3,845)
Excess tax deduction on stock options	-	2,871
Financing costs paid	(9,600)	(2,063)
Net cash used in financing activities	195,569	1,177,818
(Decrease) increase in cash and cash equivalents	(3,573)	5,542
Cash and cash equivalents, beginning of period	155,762	106,148
Cash and cash equivalents, end of period	\$ 152,189	\$ 111,690

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET LOSS GUIDANCE TO ADJUSTED EBITDA GUIDANCE
YEAR ENDING FEBRUARY 28, 2009
(In thousands, except per share amounts)

	Guidance Range	
	Low	High
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (375,000)	\$ (260,000)
Adjustments:		
Interest expense	490,000	485,000
Income tax expense, net	12,000	7,000
Depreciation and amortization	545,000	545,000
LIFO charge	60,000	55,000
Store closing, liquidation, and impairment charges	110,000	110,000
Non recurring Brooks-Eckerd integration expenses	110,000	110,000
Stock-based compensation expense	38,000	38,000
Other	10,000	10,000
Adjusted EBITDA	\$ 1,000,000	\$ 1,100,000
 Diluted loss per share	\$ (0.48)	\$ (0.34)