

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	<u>August 30, 2008</u>	<u>March 1, 2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 170,260	\$ 155,762
Accounts receivable, net	592,662	665,971
Inventories, net of LIFO reserve of \$592,917 and \$562,729	3,958,193	3,936,827
Prepaid expenses and other current assets	179,494	163,334
Total current assets	<u>4,900,609</u>	<u>4,921,894</u>
Property, plant and equipment, net	2,785,671	2,873,009
Goodwill	1,810,223	1,783,372
Other intangibles, net	1,137,630	1,187,327
Deferred tax assets	355,533	384,163
Other assets	363,994	338,258
Total assets	<u>\$ 11,353,660</u>	<u>\$ 11,488,023</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 39,822	\$ 185,609
Accounts payable	1,467,059	1,425,768
Accrued salaries, wages and other current liabilities	1,029,150	1,110,288
Deferred tax liabilities	47,744	76,374
Total current liabilities	<u>2,583,775</u>	<u>2,798,039</u>
Long-term debt, less current maturities	5,976,875	5,610,489
Lease financing obligations, less current maturities	199,940	189,426
Other noncurrent liabilities	1,247,658	1,178,884
Total liabilities	<u>10,008,248</u>	<u>9,776,838</u>
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock - Series G	144,169	139,253
Preferred stock - Series H	139,288	135,202
Preferred stock - Series I	58,358	116,415
Common stock	843,472	830,209
Additional paid-in capital	4,095,446	4,047,499
Accumulated deficit	(3,915,926)	(3,537,276)
Accumulated other comprehensive loss	(19,395)	(20,117)
Total stockholders' equity	<u>1,345,412</u>	<u>1,711,185</u>
Total liabilities and stockholders' equity	<u>\$ 11,353,660</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 August 30, 2008	Thirteen Weeks ended September 1, 2007
Revenues	\$ 6,500,244	\$ 6,573,699
Costs and expenses:		
Cost of goods sold	4,722,070	4,783,888
Selling, general and administrative expenses	1,780,631	1,742,148
Store closing and impairment charges	51,825	16,587
Interest expense	118,565	123,250
Loss on debt modifications and retirements, net	36,197	-
Acquisition related financing commitment charge	-	12,900
Loss on sale of assets, net	7,607	1,651
	<u>6,716,895</u>	<u>6,680,424</u>
Loss from continuing operations before income taxes	(216,651)	(106,725)
Income tax expense (benefit)	5,346	(38,570)
Net loss from continuing operations	(221,997)	(68,155)
Loss from discontinued operations	-	(1,443)
Net loss	<u>\$ (221,997)</u>	<u>\$ (69,598)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (221,997)	\$ (69,598)
Accretion of redeemable preferred stock	(26)	(26)
Cumulative preferred stock dividends	(5,368)	(8,097)
Preferred stock beneficial conversion	-	(480)
Loss attributable to common stockholders - basic and diluted	<u>\$ (227,391)</u>	<u>\$ (78,201)</u>
Denominator:		
Basic and diluted weighted average shares	<u>837,913</u>	<u>781,805</u>
Basic and diluted loss per share	\$ (0.27)	\$ (0.10)

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(unaudited)

	Twenty-six Weeks ended August 30, 2008	Twenty-six Weeks ended September 1, 2007
Revenues	\$ 13,113,100	\$ 11,004,112
Costs and expenses:		
Cost of goods sold	9,526,680	7,998,722
Selling, general and administrative expenses	3,573,605	2,861,790
Store closing and impairment charges	88,087	20,617
Interest expense	236,805	191,975
Loss on debt modifications and retirements, net	39,905	-
Acquisition related financing commitment charge	-	12,900
Loss (gain) on sale of assets, net	12,947	(2,579)
	<u>13,478,029</u>	<u>11,083,425</u>
Loss from continuing operations before income taxes	(364,929)	(79,313)
Income tax expense (benefit)	10,339	(39,470)
Net loss from continuing operations	(375,268)	(39,843)
Loss from discontinued operations	(3,369)	(2,121)
Net loss	<u>\$ (378,637)</u>	<u>\$ (41,964)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss	\$ (378,637)	\$ (41,964)
Accretion of redeemable preferred stock	(51)	(51)
Cumulative preferred stock dividends	(11,490)	(16,127)
Preferred stock beneficial conversion	-	(556)
Loss attributable to common stockholders - basic and diluted	<u>\$ (390,178)</u>	<u>\$ (58,698)</u>
Denominator:		
Basic and diluted weighted average shares	<u>830,499</u>	<u>656,422</u>
Basic and diluted loss per share	\$ (0.47)	\$ (0.09)

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

	Thirteen Weeks ended August 30, 2008	Thirteen Weeks ended September 1, 2007
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (221,997)	\$ (69,598)
Adjustments:		
Interest expense	118,565	123,250
Income tax expense (benefit)	5,346	(39,347)
Depreciation and amortization	150,901	132,492
LIFO charges (a)	15,094	16,041
Store closing and impairment charges	51,825	16,587
Stock-based compensation expense	7,524	11,960
Loss on sale of assets, net	7,607	1,651
Loss on debt modifications and retirements, net (b)	36,197	-
Acquisition related financing commitment charge (c)	-	12,900
Incremental acquisition costs (d)	32,385	52,101
Closed store liquidation expense (e)	5,675	2,300
Other	6,129	1,137
Adjusted EBITDA	\$ 215,251	\$ 261,474
Percent of revenues	3.31%	3.96%
Results of discontinued operations (f)	-	1,955
Adjusted EBITDA from continuing operations	\$ 215,251	\$ 263,429

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 a charge for financing commitments related to the acquisition of Jean Coutu, USA.
- (d) Represents incremental costs related to the acquisition of Jean Coutu, USA.
- (e) Represents costs to liquidate inventory at stores that are in the process of closing.
- (f) Represents losses from our recently disposed Las Vegas market that are included in Adjusted EBITDA.

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

	Twenty-six Weeks ended August 30, 2008	Twenty-six Weeks ended September 1, 2007
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (378,637)	\$ (41,964)
Adjustments:		
Interest expense	236,805	191,975
Income tax expense (benefit)	10,339	(40,612)
Depreciation and amortization	295,942	200,411
LIFO charges (a)	30,188	25,332
Store closing and impairment charges	88,087	20,617
Stock-based compensation expense	16,203	18,574
Loss (gain) on sale of assets, net	12,995	(2,579)
Loss on debt modifications and retirements, net (b)	39,905	-
Acquisition related financing commitment charge (c)	-	12,900
Incremental acquisition costs (d)	76,876	63,266
Closed store liquidation expense (e)	10,535	4,399
Other	12,442	1,971
Adjusted EBITDA	\$ 451,680	\$ 454,290
Percent of revenues	3.44%	4.11%
Results of discontinued operations (f)	1,882	2,737
Adjusted EBITDA from continuing operations	\$ 453,562	\$ 457,027

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 a charge for financing commitments related to the acquisition of Jean Coutu, USA.
- (d) Represents incremental costs related to the acquisition of Jean Coutu, USA.
- (e) Represents costs to liquidate inventory at stores that are in the process of closing.
- (f) 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 August 30, 2008	Thirteen Weeks ended September 1, 2007
OPERATING ACTIVITIES:		
Net loss	\$ (221,997)	\$ (69,598)
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	150,901	132,492
Store closing and impairment charges	51,825	16,587
LIFO charges	15,094	16,041
Loss on sale of assets, net	7,607	1,651
Stock-based compensation expense	7,524	11,960
Loss on debt modifications and retirements, net	36,197	-
Acquisition related financing commitment charge	-	12,900
Changes in deferred taxes	-	(40,163)
Proceeds from sale of inventory	-	8,156
Proceeds from insured loss	-	1,292
Changes in operating assets and liabilities:		
Net repayments to accounts receivable securitization	(5,000)	(90,000)
Accounts receivable	56,587	99,600
Inventories	(44,091)	(265,144)
Accounts payable	133,900	24,144
Other assets and liabilities, net	(92,428)	450
Net cash provided by (used in) operating activities	96,119	(139,632)
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(153,079)	(162,186)
Intangible assets acquired	(25,342)	(15,909)
Expenditures for business acquisition	-	(1,119,066)
Proceeds from sale-leaseback transactions	73,933	10,550
Proceeds from dispositions of assets and investments	13,953	8,397
Proceeds from insured loss	-	408
Net cash used in investing activities	(90,535)	(1,277,806)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	740,764	1,105,000
Net (payments to) proceeds from revolver	(22,000)	342,000
Proceeds from financing secured by owned property	20,134	-
Principal payments on long-term debt	(700,225)	(4,018)
Change in zero balance cash accounts	14,518	87,671
Net proceeds from the issuance of common stock	-	2,753
Payments for preferred stock dividends	(831)	(3,845)
Excess tax deduction on stock options	-	2,651
Financing costs paid	(39,873)	(56,132)
Net cash provided by financing activities	12,487	1,476,080
Increase in cash and cash equivalents	18,071	58,642
Cash and cash equivalents, beginning of period	152,189	111,690
Cash and cash equivalents, end of period	\$ 170,260	\$ 170,332

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

	Twenty-six Weeks ended August 30, 2008	Twenty-six Weeks ended September 1, 2007
OPERATING ACTIVITIES:		
Net loss	\$ (378,637)	\$ (41,964)
Adjustments to reconcile to net cash (used in) provided by operating activities:		
Depreciation and amortization	295,942	200,411
Store closing and impairment charges	88,087	20,617
LIFO charges	30,188	25,332
Loss (gain) on sale of assets, net	12,995	(2,579)
Stock-based compensation expense	16,203	18,574
Loss on debt modifications and retirements, net	39,905	-
Acquisition related financing commitment charge	-	12,900
Changes in deferred taxes	-	(39,002)
Proceeds from sale of inventory	-	8,156
Proceeds from insured loss	-	8,550
Changes in operating assets and liabilities:		
Net proceeds from (repayments to) accounts receivable securitization	65,000	(60,000)
Accounts receivable	7,745	56,590
Inventories	(95,194)	(256,035)
Accounts payable	16,971	75,324
Other assets and liabilities, net	(108,414)	19,778
Net cash (used in) provided by operating activities	<u>(9,209)</u>	<u>46,652</u>
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(302,955)	(279,686)
Intangible assets acquired	(61,464)	(29,710)
Expenditures for business acquisition	(112)	(2,356,578)
Proceeds from sale-leaseback transactions	161,553	10,550
Proceeds from dispositions of assets and investments	18,629	13,108
Proceeds from insured loss	-	5,950
Net cash used in investing activities	<u>(184,349)</u>	<u>(2,636,366)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	898,764	2,306,005
Net proceeds from revolver	164,000	303,000
Proceeds from financing secured by owned property	31,266	-
Principal payments on long-term debt	(855,190)	(7,209)
Change in zero balance cash accounts	20,060	100,617
Net proceeds from the issuance of common stock	1,117	11,848
Payments for preferred stock dividends	(2,488)	(7,690)
Excess tax deduction on stock options	-	5,522
Financing costs paid	(49,473)	(58,195)
Net cash provided by financing activities	<u>208,056</u>	<u>2,653,898</u>
Increase in cash and cash equivalents	14,498	64,184
Cash and cash equivalents, beginning of period	155,762	106,148
Cash and cash equivalents, end of period	<u>\$ 170,260</u>	<u>\$ 170,332</u>

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		Previous Guidance Range	
	Low	High	Low	High
Sales	\$ 26,000,000	\$ 26,500,000	\$ 26,700,000	\$ 27,200,000
Same store sales	1.50%	3.00%	2.00%	4.00%
Gross capital expenditures	\$ 550,000	\$ 550,000	\$ 600,000	\$ 600,000
Sale and leaseback proceeds	\$ 200,000	\$ 200,000	\$ 150,000	\$ 150,000
Reconciliation of net loss to adjusted EBITDA:				
Net loss	\$ (535,000)	\$ (445,000)	\$ (415,000)	\$ (300,000)
Adjustments:				
Interest expense	495,000	490,000	495,000	490,000
Income tax expense	12,000	7,000	12,000	7,000
Depreciation and amortization	565,000	565,000	545,000	545,000
LIFO charge	60,000	55,000	60,000	55,000
Store closing, liquidation, and impairment charges	140,000	140,000	110,000	110,000
Non recurring Brooks-Eckerd integration expenses	100,000	100,000	110,000	110,000
Stock-based compensation expense	38,000	38,000	38,000	38,000
Loss on debt modification	40,000	40,000	40,000	40,000
Other	35,000	35,000	5,000	5,000
Adjusted EBITDA	\$ 950,000	\$ 1,025,000	\$ 1,000,000	\$ 1,100,000
Diluted loss per share	\$ (0.67)	\$ (0.56)	\$ (0.52)	\$ (0.39)