May 2013

Dear Fellow Investors:

Thanks to the hard work and dedication of our entire Rite Aid team, we generated outstanding results in fiscal 2013 and delivered one of the best years in our company’s 50-year history. In addition to our return to profitability, we set an all-time company record for full-year Adjusted EBITDA and completed a comprehensive debt refinancing that gives us the financial flexibility we need to execute our business plan. We also grew same-store prescription count, increased front-end same-store sales and exceeded our goal for flu immunizations in fiscal 2013.

These tremendous accomplishments have been many years in the making. During this time, our 90,000 associates have embraced our strategy and worked hard to exceed expectations in our stores and distribution centers each and every day. Together, we are successfully transforming Rite Aid into a true neighborhood destination for health and wellness. As a result, we are a stronger company that is better equipped to meet the individual wellness needs of our customers and patients.

Our transformation into a wellness destination couldn’t have come at a more critical time. As the U.S. population ages and the Affordable Care Act takes hold, it’s apparent that our customers and patients will be relying on us more than ever to help them manage their wellness in an increasingly complex health care environment. That’s why we continue to expand our offering to include services such as immunizations, one-on-one patient counseling and tools that encourage and assist our patients in taking their medications as prescribed.

Though some would view this changing health care landscape as a challenge, we view it as a significant opportunity to grow our business and develop new and exciting ways to serve our customers. In order to deliver long-term value for our shareholders, we are committed to implementing a strategy that aligns with the evolution of U.S. health care and the practice of pharmacy while meeting the unique and changing needs of our customers and patients.

As we enter fiscal 2014, we look forward to continuing our wellness transformation by providing our patients with personalized care while leveraging our enhanced wellness offerings to attract additional customers. Our goal for the year is to continue our positive momentum by building upon the same key initiatives that have fueled our improved performance and embracing new ways of doing business in a changing health care environment.

We’re Making wellness+ Even Stronger

Since launching in fiscal 2011, our wellness+ customer loyalty program has played a key role in generating improved business results and strengthening Rite Aid as a wellness destination. We believe this highly successful program continues to be the richest and most rewarding loyalty program in our industry.

Despite increased competition in the drugstore loyalty space, our active wellness+ membership continues to grow and members continue to frequently use their loyalty card. Heading forward, wellness+ will continue to be the cornerstone of our wellness strategy, and we are focused on finding new ways to enhance the program to provide a more personalized and engaging drugstore experience.
We're Providing Care Beyond Prescriptions

There is no doubt that we had an excellent year in pharmacy. Same-store prescription count grew 3.4 percent, largely due to our ability to attract and retain a very high number of patients who came to Rite Aid during the Express Scripts-Walgreens dispute. In addition, we benefitted from a wave of new generic medications, which were a key driver of our improved pharmacy gross margin.

As we look forward, we are focused on delivering care beyond prescriptions to provide our patients with a broader range of wellness services that drive better patient health outcomes and help to lower health care costs.

A great example is our immunizations program. In fiscal 2013, our pharmacists administered nearly 2.4 million flu immunizations, a 60 percent increase over the previous year. Meanwhile, we continue to offer one-on-one pharmacist-patient counseling through our Rite Care Prescription Advisor program, which gives our pharmacists a platform to explain to patients the importance of taking medications as their doctor prescribed. We’re also expanding our capabilities to deliver more Medication Therapy Management services.

As we continue to expand the role of our pharmacists—who are among the most trusted professionals in health care—we believe we are uniquely positioned to provide a wider, more sophisticated range of services that delivers convenient, affordable health solutions as part of a more personalized drugstore experience.

We see further opportunities to develop programs that meet the specific needs of our poly chronic patients, many of whom are seniors aged 65 and older. Poly chronic patients are those who suffer from multiple chronic conditions such as heart disease, arthritis and diabetes, and they often have a difficult time managing their complex prescription therapies and overall health. At Rite Aid, we believe that we can make a more meaningful difference in the lives of these customers and patients. We view this as a key opportunity for fiscal 2014 and beyond.

We're Transforming Rite Aid Into A Wellness Destination

Our Wellness stores are perhaps the most visible component of our broader health and wellness strategy. These remodeled stores feature expanded pharmacy services, additional wellness and fitness items and our Wellness Ambassadors, who serve as a bridge from the front end of our stores to the pharmacy by informing customers about the pharmacy services we offer and facilitating the pharmacist-patient relationship.

In a little over two years, we have converted 800 Rite Aid stores to the Wellness format and trained nearly 1,300 Wellness Ambassadors to provide a higher level of customer service in these stores. We have also created the new Genuine Well-being format, the latest iteration of our wellness concept that features a unique interior design and new innovative merchandising concepts. As we continue to reinvest in our store base, we plan to convert an additional 400 stores to the Genuine Well-being format in fiscal 2014.

We're Focused On Meeting Our Customers’ Needs

Our associates are doing a tremendous job of providing a unique, engaging and personalized shopping experience in our stores. According to the latest retail results from the American Customer Satisfaction Index, an independent and well-respected measure of customer satisfaction, we have earned the top position among major drugstore chains.

Our associates have also demonstrated their commitment to “making it personal” in our communities. Last year, we celebrated Rite Aid’s 50th anniversary by holding 50 special “Acts of Wellness” community events throughout our chain. The positive energy surrounding these events was tremendous and showed existing and potential customers that we are caring neighbors.
We’re Committed To Delivering Long-term Value

Fiscal 2013 was a banner year for our company, both in terms of the outstanding results we generated and the tremendous progress we made in strengthening Rite Aid as a wellness destination. We are proud of our recent success, but we also understand that our quest to create the best drugstore experience in our business is just beginning.

As our company begins a new fiscal year, we thank our associates for their commitment to understanding our strategy and bringing it to life every day in our stores. We thank our supplier partners for collaborating with us to deliver wellness, value, innovation and a one-of-a-kind shopping experience. We are grateful to our Board of Directors for their guidance, especially Michel Coutu, who recently left our board, and Mary Sammons and James Donald, who are leaving the board in June. We thank them for their years of valuable service to Rite Aid. At the same time, we look forward to the service of Bruce Bodaken, former Blue Shield of California chairman, president and CEO, who joined our board earlier this month.

And we thank you, our investors, for your continued support as we position Rite Aid to be the customer’s number one choice for health and wellness.

Sincerely,

John Standley
Rite Aid Chairman, President and CEO