

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	February 28, 2015	March 1, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 115,899	\$ 146,406
Accounts receivable, net	980,904	949,062
Inventories, net of LIFO reserve of \$997,528 and \$1,018,581	2,882,980	2,993,948
Deferred tax assets	17,823	-
Prepaid expenses and other current assets	224,152	195,709
Total current assets	4,221,758	4,285,125
Property, plant and equipment, net	2,091,369	1,957,329
Goodwill	76,124	-
Other intangibles, net	421,480	431,227
Deferred tax assets	1,766,349	-
Other assets	286,172	271,190
Total assets	<u>\$ 8,863,252</u>	<u>\$ 6,944,871</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 100,376	\$ 49,174
Accounts payable	1,133,520	1,292,419
Accrued salaries, wages and other current liabilities	1,193,419	1,165,859
Deferred tax liabilities	57,685	-
Total current liabilities	2,485,000	2,507,452
Long-term debt, less current maturities	5,483,415	5,632,798
Lease financing obligations, less current maturities	61,152	75,171
Other noncurrent liabilities	776,629	843,152
Total liabilities	8,806,196	9,058,573
Commitments and contingencies	-	-
Stockholders' equity (deficit):		
Common stock	988,558	971,331
Additional paid-in capital	4,521,023	4,468,149
Accumulated deficit	(5,406,675)	(7,515,848)
Accumulated other comprehensive loss	(45,850)	(37,334)
Total stockholders' equity (deficit)	57,056	(2,113,702)
Total liabilities and stockholders' equity (deficit)	<u>\$ 8,863,252</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 February 28, 2015	Thirteen weeks ended March 1, 2014
Revenues	\$ 6,847,929	\$ 6,597,459
Costs and expenses:		
Cost of goods sold	4,892,068	4,711,743
Selling, general and administrative expenses	1,718,327	1,716,671
Lease termination and impairment charges	21,284	17,270
Interest expense	98,442	101,992
(Gain) loss on sale of assets, net	(1,259)	412
	<u>6,728,862</u>	<u>6,548,088</u>
Income before income taxes	119,067	49,371
Income tax benefit	(1,715,965)	(6,006)
Net income	<u>\$ 1,835,032</u>	<u>\$ 55,377</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 1,835,032	\$ 55,377
Add back - Interest on convertible notes	1,364	1,364
Income attributable to common stockholders - diluted	<u>\$ 1,836,396</u>	<u>\$ 56,741</u>
Denominator:		
Basic weighted average shares	977,716	956,925
Outstanding options and restricted shares, net	22,097	35,304
Convertible notes	<u>24,792</u>	<u>24,800</u>
Diluted weighted average shares	<u>1,024,605</u>	<u>1,017,029</u>
Basic income per share	\$ 1.88	\$ 0.06
Diluted income per share	\$ 1.79	\$ 0.06

RITE AID CORPORATION AND SUBSIDIARIES

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

	Fifty-two weeks ended February 28, 2015	Fifty-two weeks ended March 1, 2014
Revenues	\$ 26,528,377	\$ 25,526,413
Costs and expenses:		
Cost of goods sold	18,951,645	18,202,679
Selling, general and administrative expenses	6,695,642	6,561,162
Lease termination and impairment charges	41,945	41,304
Interest expense	397,612	424,591
Loss on debt retirements, net	18,512	62,443
Gain on sale of assets, net	(3,799)	(15,984)
	<u>26,101,557</u>	<u>25,276,195</u>
Income before income taxes	426,820	250,218
Income tax (benefit) expense	(1,682,353)	804
Net income	<u>\$ 2,109,173</u>	<u>\$ 249,414</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 2,109,173	\$ 249,414
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>2,109,173</u>	<u>215,416</u>
Add back - Interest on convertible notes	5,456	5,456
Income attributable to common stockholders - diluted	<u>\$ 2,114,629</u>	<u>\$ 220,872</u>
Denominator:		
Basic weighted average shares	971,102	922,199
Outstanding options and restricted shares, net	21,967	32,093
Convertible notes	<u>24,792</u>	<u>24,800</u>
Diluted weighted average shares	<u>1,017,861</u>	<u>979,092</u>
Basic income per share	\$ 2.17	\$ 0.23
Diluted income per share	\$ 2.08	\$ 0.23

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended February 28, 2015	Thirteen weeks ended March 1, 2014
Net income	\$ 1,835,032	\$ 55,377
Other comprehensive (loss) income:		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost, net of \$6,042 and \$0 tax benefit	(10,495)	20,247
Total other comprehensive (loss) income	(10,495)	20,247
Comprehensive income	\$ 1,824,537	\$ 75,624

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Fifty-two weeks ended February 28, 2015	Fifty-two weeks ended March 1, 2014
Net income	\$ 2,109,173	\$ 249,414
Other comprehensive (loss) income:		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost, net of \$6,042 and \$0 tax benefit	(8,516)	24,035
Total other comprehensive (loss) income	(8,516)	24,035
Comprehensive income	\$ 2,100,657	\$ 273,449

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Thirteen weeks ended February 28, 2015	Thirteen weeks ended March 1, 2014
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 6,847,929	\$ 6,597,459
Cost of goods sold	4,892,068	4,711,743
Gross profit	1,955,861	1,885,716
LIFO (credit) charge	(23,489)	44,142
FIFO gross profit	1,932,372	1,929,858
Gross profit as a percentage of revenues	28.56%	28.58%
LIFO (credit) charge as a percentage of revenues	-0.34%	0.67%
FIFO gross profit as a percentage of revenues	28.22%	29.25%
Selling, general and administrative expenses	1,718,327	1,716,671
Selling, general and administrative expenses as a percentage of revenues	25.09%	26.02%
Cash interest expense	86,774	98,015
Non-cash interest expense	11,668	3,977
Total interest expense	98,442	101,992
Adjusted EBITDA	343,295	356,330
Adjusted EBITDA as a percentage of revenues	5.01%	5.40%
Net income	1,835,032	55,377
Net income as a percentage of revenues	26.80%	0.84%
Total debt	5,644,943	5,757,143
Invested cash	227	2,484
Total debt net of invested cash	5,644,716	5,754,659
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	101,890	78,601
Intangible assets acquired	32,949	22,748
Total cash capital expenditures	134,839	101,349
Equipment received for noncash consideration	-	1,237
Equipment financed under capital leases	1,408	3,042
Gross capital expenditures	\$ 136,247	\$ 105,628

RITE AID CORPORATION AND SUBSIDIARIES

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

	Fifty-two weeks ended February 28, 2015	Fifty-two weeks ended March 1, 2014
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 26,528,377	\$ 25,526,413
Cost of goods sold	18,951,645	18,202,679
Gross profit	7,576,732	7,323,734
LIFO (credit) charge	(18,857)	104,142
FIFO gross profit	7,557,875	7,427,876
Gross profit as a percentage of revenues	28.56%	28.69%
LIFO (credit) charge as a percentage of revenues	-0.07%	0.41%
FIFO gross profit as a percentage of revenues	28.49%	29.10%
Selling, general and administrative expenses	6,695,642	6,561,162
Selling, general and administrative expenses as a percentage of revenues	25.24%	25.70%
Cash interest expense	372,909	407,957
Non-cash interest expense	24,703	16,634
Total interest expense	397,612	424,591
Adjusted EBITDA	1,322,843	1,324,959
Adjusted EBITDA as a percentage of revenues	4.99%	5.19%
Net income	2,109,173	249,414
Net income as a percentage of revenues	7.95%	0.98%
Total debt	5,644,943	5,757,143
Invested cash	227	2,484
Total debt net of invested cash	5,644,716	5,754,659
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	426,828	333,870
Intangible assets acquired	112,558	87,353
Total cash capital expenditures	539,386	421,223
Equipment received for noncash consideration	1,600	2,825
Equipment financed under capital leases	6,157	18,065
Gross capital expenditures	\$ 547,143	\$ 442,113

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

	Thirteen weeks ended February 28, 2015	Thirteen weeks ended March 1, 2014
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 1,835,032	\$ 55,377
Adjustments:		
Interest expense	98,442	101,992
Income tax expense (benefit)	125,339	(6,006)
Income tax valuation allowance reduction	(1,841,304)	-
Depreciation and amortization	107,425	102,060
LIFO (credit) charge	(23,489)	44,142
Lease termination and impairment charges	21,284	17,270
Other	20,566	41,495
Adjusted EBITDA	<u>\$ 343,295</u>	<u>\$ 356,330</u>
Percent of revenues	5.01%	5.40%

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

	Fifty-two weeks ended February 28, 2015	Fifty-two weeks ended March 1, 2014
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 2,109,173	\$ 249,414
Adjustments:		
Interest expense	397,612	424,591
Income tax expense	158,951	804
Income tax valuation allowance reduction	(1,841,304)	-
Depreciation and amortization	416,628	403,741
LIFO (credit) charge	(18,857)	104,142
Lease termination and impairment charges	41,945	41,304
Other	58,695	100,963
Adjusted EBITDA	<u>\$ 1,322,843</u>	<u>\$ 1,324,959</u>
Percent of revenues	4.99%	5.19%

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended February 28, 2015	Thirteen weeks ended March 1, 2014
OPERATING ACTIVITIES:		
Net income	\$ 1,835,032	\$ 55,377
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	107,425	102,060
Lease termination and impairment charges	21,284	17,270
LIFO (credit) charge	(23,489)	44,142
(Gain) loss on sale of assets, net	(1,259)	412
Stock-based compensation expense	6,458	4,000
Changes in deferred taxes	(1,726,487)	-
Excess tax benefit on stock options and restricted stock	(13,916)	(26,665)
Changes in operating assets and liabilities:		
Accounts receivable	15,591	(107,946)
Inventories	138,023	262,965
Accounts payable	(124,905)	(125,934)
Other assets and liabilities, net	(58,757)	(31,553)
Net cash provided by operating activities	175,000	194,128
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(101,890)	(78,601)
Intangible assets acquired	(32,949)	(22,748)
Proceeds from dispositions of assets and investments	4,935	14,259
Proceeds from insured loss	-	9,006
Net cash used in investing activities	(129,904)	(78,084)
FINANCING ACTIVITIES:		
Net proceeds from (payments to) revolver	945,000	(190,000)
Principal payments on long-term debt	(1,151,897)	(7,907)
Change in zero balance cash accounts	41,015	10,066
Net proceeds from the issuance of common stock	8,594	8,336
Excess tax benefit on stock options and restricted stock	13,916	26,665
Deferred financing costs paid	(18,779)	(10)
Net cash used in financing activities	(162,151)	(152,850)
Decrease in cash and cash equivalents	(117,055)	(36,806)
Cash and cash equivalents, beginning of period	232,954	183,212
Cash and cash equivalents, end of period	\$ 115,899	\$ 146,406

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Fifty-two weeks ended February 28, 2015	Fifty-two weeks ended March 1, 2014
OPERATING ACTIVITIES:		
Net income	\$ 2,109,173	\$ 249,414
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	416,628	403,741
Lease termination and impairment charges	41,945	41,304
Gain from lease termination	-	(8,750)
LIFO (credit) charge	(18,857)	104,142
Gain on sale of assets, net	(3,799)	(15,984)
Stock-based compensation expense	23,390	16,194
Loss on debt retirements, net	18,512	62,443
Changes in deferred taxes	(1,726,487)	-
Excess tax benefit on stock options and restricted stock	(41,563)	(26,665)
Changes in operating assets and liabilities:		
Accounts receivable	(25,902)	(28,051)
Inventories	129,985	56,557
Accounts payable	(169,952)	(100,774)
Other assets and liabilities, net	(104,114)	(51,525)
Net cash provided by operating activities	648,959	702,046
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(426,828)	(333,870)
Intangible assets acquired	(112,558)	(87,353)
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	15,494	28,416
Proceeds from lease termination	-	8,750
Proceeds from insured loss	-	15,144
Net cash used in investing activities	(593,685)	(364,924)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,152,293	1,310,000
Net proceeds from (payments to) revolver	1,325,000	(265,000)
Principal payments on long-term debt	(2,595,709)	(1,340,435)
Change in zero balance cash accounts	1,081	(95)
Net proceeds from the issuance of common stock	24,117	33,217
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 and restricted stock	41,563	26,665
Deferred financing costs paid	(20,285)	(17,850)
Net cash used in financing activities	(85,781)	(320,168)
(Decrease) increase in cash and cash equivalents	(30,507)	16,954
Cash and cash equivalents, beginning of period	146,406	129,452
Cash and cash equivalents, end of period	\$ 115,899	\$ 146,406

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET INCOME GUIDANCE TO ADJUSTED EBITDA GUIDANCE
YEAR ENDING FEBRUARY 27, 2016
(In thousands, except per share amounts)

	Guidance Range	
	Low	High
Sales	\$ 26,900,000	\$ 27,400,000
Same store sales	2.50%	4.50%
Gross capital expenditures	\$ 650,000	\$ 650,000
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 190,000	\$ 275,000
Adjustments:		
Interest expense	350,000	350,000
Income tax expense	130,000	180,000
Depreciation and amortization	445,000	440,000
LIFO charge	30,000	10,000
Store closing and impairment charges	55,000	45,000
Other	50,000	50,000
Adjusted EBITDA (1)	<u>\$ 1,250,000</u>	<u>\$ 1,350,000</u>
 Diluted income per share	 \$ 0.19	 \$ 0.27

(1) Does not include certain estimated amounts related to our pending EnvisionRx acquisition. Preliminary annual estimates for EBITDA, Interest expense and Depreciation and amortization are \$155,000, \$110,000, and \$38,000 respectively. We expect to incur a portion of the annual interest expense prior to closing the acquisition.