

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	May 30, 2015	February 28, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,922,129	\$ 115,899
Accounts receivable, net	969,725	980,904
Inventories, net of LIFO reserve of \$1,003,515 and \$997,528	2,820,784	2,882,980
Deferred tax assets	17,823	17,823
Prepaid expenses and other current assets	100,386	224,152
Total current assets	5,830,847	4,221,758
Property, plant and equipment, net	2,143,575	2,091,369
Goodwill	76,124	76,124
Other intangibles, net	403,085	421,480
Deferred tax assets	1,756,809	1,766,349
Other assets	319,334	286,172
Total assets	<u>\$ 10,529,774</u>	<u>\$ 8,863,252</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 35,039	\$ 100,376
Accounts payable	1,167,354	1,133,520
Accrued salaries, wages and other current liabilities	1,144,889	1,193,419
Deferred tax liabilities	57,685	57,685
Total current liabilities	2,404,967	2,485,000
Long-term debt, less current maturities	7,142,247	5,483,415
Lease financing obligations, less current maturities	57,585	61,152
Other noncurrent liabilities	772,244	776,629
Total liabilities	10,377,043	8,806,196
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,014,827	988,558
Additional paid-in capital	4,570,996	4,521,023
Accumulated deficit	(5,387,839)	(5,406,675)
Accumulated other comprehensive loss	(45,253)	(45,850)
Total stockholders' equity	152,731	57,056
Total liabilities and stockholders' equity	<u>\$ 10,529,774</u>	<u>\$ 8,863,252</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Thirteen weeks ended May 30, 2015	Thirteen weeks ended May 31, 2014
Revenues	\$ 6,647,561	\$ 6,465,531
Costs and expenses:		
Cost of goods sold	4,788,031	4,662,552
Selling, general and administrative expenses	1,699,585	1,644,354
Lease termination and impairment charges	5,022	4,848
Interest expense	123,607	100,820
Loss (gain) on sale of assets, net	39	(370)
	<u>6,616,284</u>	<u>6,412,204</u>
Income before income taxes	31,277	53,327
Income tax expense	12,441	11,881
Net income	<u>\$ 18,836</u>	<u>\$ 41,446</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Income attributable to common stockholders - basic and diluted	<u>\$ 18,836</u>	<u>\$ 41,446</u>
Denominator:		
Basic weighted average shares	986,691	963,332
Outstanding options and restricted shares, net	<u>22,461</u>	<u>33,222</u>
Diluted weighted average shares	<u>1,009,152</u>	<u>996,554</u>
Basic income per share	\$ 0.02	\$ 0.04
Diluted income per share	\$ 0.02	\$ 0.04

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended May 30, 2015	Thirteen weeks ended May 31, 2014
Net income	\$ 18,836	\$ 41,446
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, net of \$398 and \$0 tax expense	597	659
Total other comprehensive income	597	659
Comprehensive income	\$ 19,433	\$ 42,105

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OPERATING AND CASH FLOW INFORMATION

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

	Thirteen weeks ended May 30, 2015	Thirteen weeks ended May 31, 2014
SUPPLEMENTAL OPERATING INFORMATION		
Revenues	\$ 6,647,561	\$ 6,465,531
Cost of goods sold	4,788,031	4,662,552
Gross profit	1,859,530	1,802,979
LIFO charge	5,987	1,545
FIFO gross profit	1,865,517	1,804,524
Gross profit as a percentage of revenues	27.97%	27.89%
LIFO charge as a percentage of revenues	0.09%	0.02%
FIFO gross profit as a percentage of revenues	28.06%	27.91%
Selling, general and administrative expenses	1,699,585	1,644,354
Selling, general and administrative expenses as a percentage of revenues	25.57%	25.43%
Cash interest expense	102,762	96,435
Non-cash interest expense	20,845	4,385
Total interest expense	123,607	100,820
Adjusted EBITDA	299,263	282,613
Adjusted EBITDA as a percentage of revenues	4.50%	4.37%
Net income	18,836	41,446
Net income as a percentage of revenues	0.28%	0.64%
Total debt	7,234,871	5,704,386
Invested cash (a)	1,769,525	1,990
Total debt net of invested cash	5,465,346	5,702,396
SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	141,037	94,342
Intangible assets acquired	14,293	19,586
Total cash capital expenditures	155,330	113,928
Equipment received for noncash consideration	545	-
Equipment financed under capital leases	800	1,683
Gross capital expenditures	\$ 156,675	\$ 115,611

(a) Invested cash includes \$1,769 million of cash set aside for funding the EnvisionRx acquisition.

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

	Thirteen weeks ended May 30, 2015	Thirteen weeks ended May 31, 2014
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 18,836	\$ 41,446
Adjustments:		
Interest expense	123,607	100,820
Income tax expense	12,441	11,881
Depreciation and amortization	109,649	103,105
LIFO charge	5,987	1,545
Lease termination and impairment charges	5,022	4,848
Other	23,721	18,968
Adjusted EBITDA	<u>\$ 299,263</u>	<u>\$ 282,613</u>
Percent of revenues	4.50%	4.37%

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended May 30, 2015	Thirteen weeks ended May 31, 2014
OPERATING ACTIVITIES:		
Net income	\$ 18,836	\$ 41,446
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	109,649	103,105
Lease termination and impairment charges	5,022	4,848
LIFO charge	5,987	1,545
Loss (gain) on sale of assets, net	39	(370)
Stock-based compensation expense	7,370	4,156
Changes in deferred taxes	9,540	-
Excess tax benefit on stock options and restricted stock	(2,820)	(10,522)
Changes in operating assets and liabilities:		
Accounts receivable	11,027	41,347
Inventories	56,204	59,375
Accounts payable	79,715	86,324
Other assets and liabilities, net	67,266	(91,506)
Net cash provided by operating activities	367,835	239,748
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(141,037)	(94,342)
Intangible assets acquired	(14,293)	(19,586)
Acquisition of Health Dialog and RediClinic, net of cash acquired	-	(65,306)
Proceeds from dispositions of assets and investments	2,838	1,873
Net cash used in investing activities	(152,492)	(177,361)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,800,000	1,152,293
Net payments to revolver	(141,000)	(49,000)
Principal payments on long-term debt	(5,577)	(1,157,443)
Change in zero balance cash accounts	(34,275)	(8,578)
Net proceeds from the issuance of common stock	3,378	10,904
Excess tax benefit on stock options and restricted stock	2,820	10,522
Deferred financing costs paid	(34,459)	(1,488)
Net cash provided by (used in) financing activities	1,590,887	(42,790)
Increase in cash and cash equivalents	1,806,230	19,597
Cash and cash equivalents, beginning of period	115,899	146,406
Cash and cash equivalents, end of period	\$ 1,922,129	\$ 166,003

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
Total revenues	\$ 30,700,000	\$ 31,200,000
Drugstore sales	\$ 26,900,000	\$ 27,400,000
Same store sales	2.50%	4.50%
Gross capital expenditures	\$ 665,000	\$ 665,000
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 150,000	\$ 230,000
Adjustments:		
Interest expense	455,000	455,000
Income tax expense	97,000	151,000
Depreciation and amortization	470,000	465,000
LIFO charge	30,000	10,000
Loss on debt retirement	33,000	33,000
Store closing and impairment charges	55,000	45,000
Other	60,000	61,000
Adjusted EBITDA (1)	<u>\$ 1,350,000</u>	<u>\$ 1,450,000</u>
 Diluted income per share	 \$ 0.14	 \$ 0.22

(1) Includes estimated amounts related to our pending EnvisionRx acquisition assuming we close the transaction by the beginning of July 2015. Estimates for EBITDA, Interest expense and Depreciation and amortization are \$100,000, \$105,000, and \$25,000, respectively. These estimates include acquisition related costs and interest to finance the acquisition from April 2, 2015 through the end of the year.