

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	August 29, 2015	February 28, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 152,647	\$ 115,899
Accounts receivable, net	1,872,976	980,904
Inventories, net of LIFO reserve of \$1,009,501 and \$997,528	2,902,749	2,882,980
Deferred tax assets	17,823	17,823
Prepaid expenses and other current assets	140,939	224,152
Total current assets	5,087,134	4,221,758
Property, plant and equipment, net	2,198,674	2,091,369
Goodwill	1,533,827	76,124
Other intangibles, net	1,225,531	421,480
Deferred tax assets	1,617,311	1,766,349
Other assets	316,754	286,172
Total assets	<u>\$ 11,979,231</u>	<u>\$ 8,863,252</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 29,002	\$ 100,376
Accounts payable	1,594,411	1,133,520
Accrued salaries, wages and other current liabilities	1,703,545	1,193,419
Deferred tax liabilities	57,622	57,685
Total current liabilities	3,384,580	2,485,000
Long-term debt, less current maturities	7,361,079	5,483,415
Lease financing obligations, less current maturities	54,232	61,152
Other noncurrent liabilities	749,637	776,629
Total liabilities	11,549,528	8,806,196
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,045,622	988,558
Additional paid-in capital	4,795,106	4,521,023
Accumulated deficit	(5,366,370)	(5,406,675)
Accumulated other comprehensive loss	(44,655)	(45,850)
Total stockholders' equity	429,703	57,056
Total liabilities and stockholders' equity	<u>\$ 11,979,231</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 August 29, 2015	Thirteen weeks ended August 30, 2014
Revenues	\$ 7,664,776	\$ 6,522,584
Costs and expenses:		
Cost of goods sold	5,742,485	4,628,005
Selling, general and administrative expenses	1,725,826	1,640,524
Lease termination and impairment charges	9,637	7,111
Interest expense	115,410	100,950
Loss on debt retirements, net	33,205	-
Loss (gain) on sale of assets, net	281	(1,715)
	<u>7,626,844</u>	<u>6,374,875</u>
Income before income taxes	37,932	147,709
Income tax expense	16,463	19,860
Net income	<u>\$ 21,469</u>	<u>\$ 127,849</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 21,469	\$ 127,849
Add back - Interest on convertible notes	-	1,364
Income attributable to common stockholders - diluted	<u>\$ 21,469</u>	<u>\$ 129,213</u>
Denominator:		
Basic weighted average shares	1,029,793	970,664
Outstanding options and restricted shares, net	19,341	26,132
Convertible notes	-	24,796
Diluted weighted average shares	<u>1,049,134</u>	<u>1,021,592</u>
Basic and diluted income per share	\$ 0.02	\$ 0.13

RITE AID CORPORATION AND SUBSIDIARIES

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

	Twenty-six weeks ended August 29, 2015	Twenty-six weeks ended August 30, 2014
Revenues	\$ 14,312,337	\$ 12,988,115
Costs and expenses:		
Cost of goods sold	10,530,516	9,290,557
Selling, general and administrative expenses	3,425,411	3,284,878
Lease termination and impairment charges	14,659	11,959
Interest expense	239,017	201,770
Loss on debt retirements, net	33,205	-
Loss (gain) on sale of assets, net	320	(2,085)
	<u>14,243,128</u>	<u>12,787,079</u>
Income before income taxes	69,209	201,036
Income tax expense	28,904	31,741
Net income	<u>\$ 40,305</u>	<u>\$ 169,295</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 40,305	\$ 169,295
Add back - Interest on convertible notes	-	2,728
Income attributable to common stockholders - diluted	<u>\$ 40,305</u>	<u>\$ 172,023</u>
Denominator:		
Basic weighted average shares	1,008,242	966,997
Outstanding options and restricted shares, net	18,959	26,141
Convertible notes	-	24,796
Diluted weighted average shares	<u>1,027,201</u>	<u>1,017,934</u>
Basic income per share	\$ 0.04	\$ 0.18
Diluted income per share	\$ 0.04	\$ 0.17

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended August 29, 2015	Thirteen weeks ended August 30, 2014
Net income	\$ 21,469	\$ 127,849
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	598	660
Total other comprehensive income	598	660
Comprehensive income	\$ 22,067	\$ 128,509

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Twenty-six weeks ended August 29, 2015	Twenty-six weeks ended August 30, 2014
Net income	\$ 40,305	\$ 169,295
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 \$796 and \$0 tax expense	1,195	1,319
Total other comprehensive income	1,195	1,319
Comprehensive income	<u>\$ 41,500</u>	<u>\$ 170,614</u>

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended August 29, 2015	Thirteen weeks ended August 30, 2014
Retail Pharmacy Segment		
Revenues (a)	\$ 6,647,243	\$ 6,522,584
Cost of goods sold (a)	4,786,730	4,628,005
Gross profit	1,860,513	1,894,579
LIFO charge	5,986	1,544
FIFO gross profit	1,866,499	1,896,123
Gross profit as a percentage of revenues	27.99%	29.05%
LIFO charge as a percentage of revenues	0.09%	0.02%
FIFO gross profit as a percentage of revenues	28.08%	29.07%
Selling, general and administrative expenses	1,678,909	1,640,524
Selling, general and administrative expenses as a percentage of revenues	25.26%	25.15%
Cash interest expense	109,796	96,558
Non-cash interest expense	5,608	4,392
Total interest expense	115,404	100,950
Adjusted EBITDA	313,602	364,166
Adjusted EBITDA as a percentage of revenues	4.72%	5.58%
Pharmacy Services Segment		
Revenues (a)	\$ 1,071,889	
Cost of goods sold (a)	1,010,111	
Gross profit	61,778	
Gross profit as a percentage of revenues	5.76%	
Adjusted EBITDA	33,222	
Adjusted EBITDA as a percentage of revenues	3.10%	

(a) - Revenues and cost of goods sold include \$54,356 of inter-segment activity that is eliminated in consolidation.

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)

(unaudited)

	Twenty-six weeks ended August 29, 2015	Twenty-six weeks ended August 30, 2014
Retail Pharmacy Segment		
Revenues (a)	\$ 13,294,804	\$ 12,988,115
Cost of goods sold (a)	9,574,761	9,290,557
Gross profit	3,720,043	3,697,558
LIFO charge	11,973	3,089
FIFO gross profit	3,732,016	3,700,647
Gross profit as a percentage of revenues	27.98%	28.47%
LIFO charge as a percentage of revenues	0.09%	0.02%
FIFO gross profit as a percentage of revenues	28.07%	28.49%
Selling, general and administrative expenses	3,378,494	3,284,878
Selling, general and administrative expenses as a percentage of revenues	25.41%	25.29%
Cash interest expense	212,558	192,993
Non-cash interest expense	26,453	8,777
Total interest expense	239,011	201,770
Adjusted EBITDA	612,865	646,779
Adjusted EBITDA as a percentage of revenues	4.61%	4.98%
Pharmacy Services Segment		
Revenues (a)	\$ 1,071,889	
Cost of goods sold (a)	1,010,111	
Gross profit	61,778	
Gross profit as a percentage of revenues	5.76%	
Adjusted EBITDA	33,222	
Adjusted EBITDA as a percentage of revenues	3.10%	

(a) - Revenues and cost of goods sold include \$54,356 of inter-segment activity that is eliminated in consolidation.

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

	Thirteen weeks ended August 29, 2015	Thirteen weeks ended August 30, 2014
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 21,469	\$ 127,849
Adjustments:		
Interest expense	115,410	100,950
Income tax expense	16,463	19,860
Depreciation and amortization	127,699	101,484
LIFO charge	5,986	1,544
Lease termination and impairment charges	9,637	7,111
Loss on debt retirements, net	33,205	-
Other	16,955	5,368
Adjusted EBITDA	<u>\$ 346,824</u>	<u>\$ 364,166</u>
Percent of revenues	4.52%	5.58%

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

	Twenty-six weeks ended August 29, 2015	Twenty-six weeks ended August 30, 2014
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 40,305	\$ 169,295
Adjustments:		
Interest expense	239,017	201,770
Income tax expense	28,904	31,741
Depreciation and amortization	237,348	204,589
LIFO charge	11,973	3,089
Lease termination and impairment charges	14,659	11,959
Loss on debt retirements, net	33,205	-
Other	40,676	24,336
Adjusted EBITDA	<u>\$ 646,087</u>	<u>\$ 646,779</u>
Percent of revenues	4.51%	4.98%

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended August 29, 2015	Thirteen weeks ended August 30, 2014
OPERATING ACTIVITIES:		
Net income	\$ 21,469	\$ 127,849
Adjustments to reconcile to net cash (used in) provided by operating activities:		
Depreciation and amortization	127,699	101,484
Lease termination and impairment charges	9,637	7,111
LIFO charge	5,986	1,544
Loss (gain) on sale of assets, net	281	(1,715)
Stock-based compensation expense	8,831	5,736
Loss on debt retirements, net	33,205	-
Changes in deferred taxes	(7,966)	-
Excess tax benefit on stock options and restricted stock	(18,049)	(16,536)
Changes in operating assets and liabilities:		
Accounts receivable	(2,908)	(40,906)
Inventories	(80,673)	9,542
Accounts payable	(47,806)	(113,074)
Other assets and liabilities, net	(75,969)	41,448
Net cash (used in) provided by operating activities	(26,263)	122,483
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(130,646)	(99,291)
Intangible assets acquired	(29,169)	(20,437)
Acquisition of businesses, net of cash acquired	(1,779,571)	(4,487)
Proceeds from dispositions of assets and investments	3,243	4,229
Net cash used in investing activities	(1,936,143)	(119,986)
FINANCING ACTIVITIES:		
Net proceeds from revolver	869,000	54,000
Principal payments on long-term debt	(655,640)	(8,180)
Change in zero balance cash accounts	(17,034)	(48,967)
Net proceeds from the issuance of common stock	4,727	3,887
Financing fees paid for early debt redemption	(26,003)	-
Excess tax benefit on stock options and restricted stock	18,049	16,536
Deferred financing costs paid	(175)	(18)
Net cash provided by financing activities	192,924	17,258
(Decrease) increase in cash and cash equivalents	(1,769,482)	19,755
Cash and cash equivalents, beginning of period	1,922,129	166,003
Cash and cash equivalents, end of period	\$ 152,647	\$ 185,758

SUPPLEMENTAL CASH FLOW INFORMATION

Payments for property, plant and equipment	\$ 130,646	\$ 99,291
Intangible assets acquired	29,169	20,437
Total cash capital expenditures	159,815	119,728
Equipment received for noncash consideration	1,466	1,337
Equipment financed under capital leases	471	2,242
Gross capital expenditures	\$ 161,752	\$ 123,307

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Twenty-six weeks ended August 29, 2015	Twenty-six weeks ended August 30, 2014
OPERATING ACTIVITIES:		
Net income	\$ 40,305	\$ 169,295
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	237,348	204,589
Lease termination and impairment charges	14,659	11,959
LIFO charge	11,973	3,089
Loss (gain) on sale of assets, net	320	(2,085)
Stock-based compensation expense	16,201	9,892
Loss on debt retirements, net	33,205	-
Changes in deferred taxes	1,574	-
Excess tax benefit on stock options and restricted stock	(20,869)	(27,058)
Changes in operating assets and liabilities:		
Accounts receivable	8,119	441
Inventories	(24,469)	68,917
Accounts payable	31,909	(26,750)
Other assets and liabilities, net	(8,703)	(50,058)
Net cash provided by operating activities	341,572	362,231
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(271,683)	(193,633)
Intangible assets acquired	(43,462)	(40,023)
Acquisition of businesses, net of cash acquired	(1,779,571)	(69,793)
Proceeds from dispositions of assets and investments	6,081	6,102
Net cash used in investing activities	(2,088,635)	(297,347)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,800,000	1,152,293
Net proceeds from revolver	728,000	5,000
Principal payments on long-term debt	(661,217)	(1,165,623)
Change in zero balance cash accounts	(51,309)	(57,545)
Net proceeds from the issuance of common stock	8,105	14,791
Financing fees paid for early debt redemption	(26,003)	-
Excess tax benefit on stock options and restricted stock	20,869	27,058
Deferred financing costs paid	(34,634)	(1,506)
Net cash provided by (used in) financing activities	1,783,811	(25,532)
Increase in cash and cash equivalents	36,748	39,352
Cash and cash equivalents, beginning of period	115,899	146,406
Cash and cash equivalents, end of period	<u>\$ 152,647</u>	<u>\$ 185,758</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Payments for property, plant and equipment	\$ 271,683	\$ 193,633
Intangible assets acquired	43,462	40,023
Total cash capital expenditures	315,145	233,656
Equipment received for noncash consideration	2,011	1,337
Equipment financed under capital leases	1,271	3,925
Gross capital expenditures	<u>\$ 318,427</u>	<u>\$ 238,918</u>

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)
(unaudited)

	Guidance Range	
	Low	High
Total revenues	\$ 30,800,000	\$ 31,100,000
Drugstore sales	\$ 26,700,000	\$ 27,000,000
Same store sales	1.50%	2.50%
Gross capital expenditures	\$ 665,000	\$ 665,000
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 125,000	\$ 195,000
Adjustments:		
Interest expense	455,000	455,000
Income tax expense	90,000	135,000
Depreciation and amortization	507,000	502,000
LIFO charge	30,000	10,000
Loss on debt retirement	33,000	33,000
Store closing and impairment charges	55,000	45,000
Other	65,000	65,000
Adjusted EBITDA	<u>\$ 1,360,000</u>	<u>\$ 1,440,000</u>
Diluted income per share	\$ 0.12	\$ 0.19