

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	November 28, 2015	February 28, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 226,252	\$ 115,899
Accounts receivable, net	1,555,352	980,904
Inventories, net of LIFO reserve of \$1,015,487 and \$997,528	2,871,929	2,882,980
Deferred tax assets	17,823	17,823
Prepaid expenses and other current assets	133,811	224,152
Total current assets	4,805,167	4,221,758
Property, plant and equipment, net	2,264,251	2,091,369
Goodwill	1,554,747	76,124
Other intangibles, net	1,206,105	421,480
Deferred tax assets	1,573,295	1,766,349
Other assets	314,515	286,172
Total assets	<u>\$ 11,718,080</u>	<u>\$ 8,863,252</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 29,135	\$ 100,376
Accounts payable	1,663,483	1,133,520
Accrued salaries, wages and other current liabilities	1,412,694	1,193,419
Deferred tax liabilities	57,685	57,685
Total current liabilities	3,162,997	2,485,000
Long-term debt, less current maturities	7,287,911	5,483,415
Lease financing obligations, less current maturities	50,434	61,152
Other noncurrent liabilities	715,910	776,629
Total liabilities	11,217,252	8,806,196
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,046,469	988,558
Additional paid-in capital	4,805,243	4,521,023
Accumulated deficit	(5,306,826)	(5,406,675)
Accumulated other comprehensive loss	(44,058)	(45,850)
Total stockholders' equity	500,828	57,056
Total liabilities and stockholders' equity	<u>\$ 11,718,080</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 November 28, 2015	Thirteen weeks ended November 29, 2014
Revenues	\$ 8,154,184	\$ 6,692,333
Costs and expenses:		
Cost of revenues	6,151,305	4,769,020
Selling, general and administrative expenses	1,777,647	1,692,437
Lease termination and impairment charges	7,011	8,702
Interest expense	106,879	97,400
Loss on debt retirements, net	-	18,512
Loss (gain) on sale of assets, net	3,331	(455)
	<u>8,046,173</u>	<u>6,585,616</u>
Income before income taxes	108,011	106,717
Income tax expense	48,468	1,871
Net income	<u>\$ 59,543</u>	<u>\$ 104,846</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 59,543	\$ 104,846
Add back - Interest on convertible notes	-	1,364
Income attributable to common stockholders - diluted	<u>\$ 59,543</u>	<u>\$ 106,210</u>
Denominator:		
Basic weighted average shares	1,039,867	972,688
Outstanding options and restricted shares, net	17,411	22,793
Convertible notes	-	24,796
Diluted weighted average shares	<u>1,057,278</u>	<u>1,020,277</u>
Basic income per share	\$ 0.06	\$ 0.11
Diluted income per share	\$ 0.06	\$ 0.10

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirty-nine weeks ended November 28, 2015	Thirty-nine weeks ended November 29, 2014
Revenues	\$ 22,466,521	\$ 19,680,448
Costs and expenses:		
Cost of revenues	16,681,822	14,059,577
Selling, general and administrative expenses	5,203,058	4,977,315
Lease termination and impairment charges	21,670	20,661
Interest expense	345,895	299,170
Loss on debt retirements, net	33,205	18,512
Loss (gain) on sale of assets, net	3,651	(2,540)
	<u>22,289,301</u>	<u>19,372,695</u>
Income before income taxes	177,220	307,753
Income tax expense	77,372	33,612
Net income	<u>\$ 99,848</u>	<u>\$ 274,141</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 99,848	\$ 274,141
Add back - Interest on convertible notes	-	4,092
Income attributable to common stockholders - diluted	<u>\$ 99,848</u>	<u>\$ 278,233</u>
Denominator:		
Basic weighted average shares	1,018,783	968,897
Outstanding options and restricted shares, net	18,765	25,330
Convertible notes	-	24,796
Diluted weighted average shares	<u>1,037,548</u>	<u>1,019,023</u>
Basic income per share	\$ 0.10	\$ 0.28
Diluted income per share	\$ 0.10	\$ 0.27

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended November 28, 2015	Thirteen weeks ended November 29, 2014
Net income	\$ 59,543	\$ 104,846
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	660
Total other comprehensive income	597	660
Comprehensive income	\$ 60,140	\$ 105,506

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(unaudited)

	Thirty-nine weeks ended November 28, 2015	Thirty-nine weeks ended November 29, 2014
Net income	\$ 99,848	\$ 274,141
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 \$1,194 and \$0 tax expense	1,792	1,979
Total other comprehensive income	1,792	1,979
Comprehensive income	\$ 101,640	\$ 276,120

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)
(unaudited)

	Thirteen weeks ended November 28, 2015	Thirteen weeks ended November 29, 2014
Retail Pharmacy Segment		
Revenues (a)	\$ 6,744,143	\$ 6,692,333
Cost of revenues (a)	4,822,257	4,769,020
Gross profit	1,921,886	1,923,313
LIFO charge	5,986	1,543
FIFO gross profit	1,927,872	1,924,856
Gross profit as a percentage of revenues	28.50%	28.74%
LIFO charge as a percentage of revenues	0.09%	0.02%
FIFO gross profit as a percentage of revenues	28.59%	28.76%
Selling, general and administrative expenses	1,708,445	1,692,437
Selling, general and administrative expenses as a percentage of revenues	25.33%	25.29%
Cash interest expense	101,494	93,142
Non-cash interest expense	5,375	4,258
Total interest expense	106,869	97,400
Adjusted EBITDA	339,255	332,769
Adjusted EBITDA as a percentage of revenues	5.03%	4.97%
Pharmacy Services Segment		
Revenues (a)	\$ 1,500,895	
Cost of revenues (a)	1,419,902	
Gross profit	80,993	
Gross profit as a percentage of revenues	5.40%	
Adjusted EBITDA	33,911	
Adjusted EBITDA as a percentage of revenues	2.26%	

(a) - Revenues and cost of revenues include \$90,854 of inter-segment activity that is eliminated in consolidation.

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)

(unaudited)

	Thirty-nine weeks ended November 28, 2015	Thirty-nine weeks ended November 29, 2014
Retail Pharmacy Segment		
Revenues (a)	\$ 20,038,947	\$ 19,680,448
Cost of revenues (a)	14,397,018	14,059,577
Gross profit	5,641,929	5,620,871
LIFO charge	17,959	4,632
FIFO gross profit	5,659,888	5,625,503
Gross profit as a percentage of revenues	28.15%	28.56%
LIFO charge as a percentage of revenues	0.09%	0.02%
FIFO gross profit as a percentage of revenues	28.24%	28.58%
Selling, general and administrative expenses	5,086,939	4,977,315
Selling, general and administrative expenses as a percentage of revenues	25.39%	25.29%
Cash interest expense	314,052	286,135
Non-cash interest expense	31,828	13,035
Total interest expense	345,880	299,170
Adjusted EBITDA	952,120	979,548
Adjusted EBITDA as a percentage of revenues	4.75%	4.98%
Pharmacy Services Segment		
Revenues (a)	\$ 2,572,784	
Cost of revenues (a)	2,430,014	
Gross profit	142,770	
Gross profit as a percentage of revenues	5.55%	
Adjusted EBITDA	67,133	
Adjusted EBITDA as a percentage of revenues	2.61%	

(a) - Revenues and cost of revenues include \$145,210 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 November 28, 2015	Thirteen weeks ended November 29, 2014
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 59,543	\$ 104,846
Adjustments:		
Interest expense	106,879	97,400
Income tax expense	48,468	1,871
Depreciation and amortization	136,434	104,614
LIFO charge	5,986	1,543
Lease termination and impairment charges	7,011	8,702
Loss on debt retirements, net	-	18,512
Other	8,845	(4,719)
Adjusted EBITDA	<u>\$ 373,166</u>	<u>\$ 332,769</u>
Percent of revenues	4.58%	4.97%

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

	Thirty-nine weeks ended November 28, 2015	Thirty-nine weeks ended November 29, 2014
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 99,848	\$ 274,141
Adjustments:		
Interest expense	345,895	299,170
Income tax expense	77,372	33,612
Depreciation and amortization	373,782	309,203
LIFO charge	17,959	4,632
Lease termination and impairment charges	21,670	20,661
Loss on debt retirements, net	33,205	18,512
Other	49,522	19,617
Adjusted EBITDA	<u>\$ 1,019,253</u>	<u>\$ 979,548</u>
Percent of revenues	4.54%	4.98%

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended November 28, 2015	Thirteen weeks ended November 29, 2014
OPERATING ACTIVITIES:		
Net income	\$ 59,543	\$ 104,846
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	136,434	104,614
Lease termination and impairment charges	7,011	8,702
LIFO charge	5,986	1,543
Loss (gain) on sale of assets, net	3,331	(455)
Stock-based compensation expense	10,328	7,040
Loss on debt retirements, net	-	18,512
Changes in deferred taxes	44,079	-
Excess tax benefit on stock options and restricted stock	(567)	(589)
Changes in operating assets and liabilities:		
Accounts receivable	307,779	(41,934)
Inventories	24,808	(76,955)
Accounts payable	57,721	(18,297)
Other assets and liabilities, net	(328,488)	4,701
Net cash provided by operating activities	327,965	111,728
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(142,655)	(131,305)
Intangible assets acquired	(54,150)	(39,586)
Acquisition of businesses, net of cash acquired	1,194	-
Proceeds from dispositions of assets and investments	2,616	4,457
Net cash used in investing activities	(192,995)	(166,434)
FINANCING ACTIVITIES:		
Net (payments to) proceeds from revolver	(73,000)	375,000
Principal payments on long-term debt	(5,750)	(278,189)
Change in zero balance cash accounts	16,298	17,611
Net proceeds from the issuance of common stock	520	732
Financing fees paid for early debt redemption	-	(13,841)
Excess tax benefit on stock options and restricted stock	567	589
Net cash (used in) provided by financing activities	(61,365)	101,902
Increase in cash and cash equivalents	73,605	47,196
Cash and cash equivalents, beginning of period	152,647	185,758
Cash and cash equivalents, end of period	\$ 226,252	\$ 232,954

SUPPLEMENTAL CASH FLOW INFORMATION

Payments for property, plant and equipment	\$ 142,655	\$ 131,305
Intangible assets acquired	54,150	39,586
Total cash capital expenditures	196,805	170,891
Equipment received for noncash consideration	-	263
Equipment financed under capital leases	2,228	824
Gross capital expenditures	\$ 199,033	\$ 171,978

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirty-nine weeks ended November 28, 2015	Thirty-nine weeks ended November 29, 2014
OPERATING ACTIVITIES:		
Net income	\$ 99,848	\$ 274,141
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	373,782	309,203
Lease termination and impairment charges	21,670	20,661
LIFO charge	17,959	4,632
Loss (gain) on sale of assets, net	3,651	(2,540)
Stock-based compensation expense	26,529	16,932
Loss on debt retirements, net	33,205	18,512
Changes in deferred taxes	50,696	-
Excess tax benefit on stock options and restricted stock	(21,436)	(27,647)
Changes in operating assets and liabilities:		
Accounts receivable	315,898	(41,493)
Inventories	339	(8,038)
Accounts payable	89,630	(45,047)
Other assets and liabilities, net	(342,234)	(45,357)
Net cash provided by operating activities	669,537	473,959
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(414,338)	(324,938)
Intangible assets acquired	(97,612)	(79,609)
Acquisition of businesses, net of cash acquired	(1,778,377)	(69,793)
Proceeds from dispositions of assets and investments	8,697	10,559
Net cash used in investing activities	(2,281,630)	(463,781)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,800,000	1,152,293
Net proceeds from revolver	655,000	380,000
Principal payments on long-term debt	(666,967)	(1,443,812)
Change in zero balance cash accounts	(35,011)	(39,934)
Net proceeds from the issuance of common stock	8,625	15,523
Financing fees paid for early debt redemption	(26,003)	(13,841)
Excess tax benefit on stock options and restricted stock	21,436	27,647
Deferred financing costs paid	(34,634)	(1,506)
Net cash provided by financing activities	1,722,446	76,370
Increase in cash and cash equivalents	110,353	86,548
Cash and cash equivalents, beginning of period	115,899	146,406
Cash and cash equivalents, end of period	\$ 226,252	\$ 232,954

SUPPLEMENTAL CASH FLOW INFORMATION

Payments for property, plant and equipment	\$ 414,338	\$ 324,938
Intangible assets acquired	97,612	79,609
Total cash capital expenditures	511,950	404,547
Equipment received for noncash consideration	2,011	1,600
Equipment financed under capital leases	3,499	4,749
Gross capital expenditures	\$ 517,460	\$ 410,896