

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(unaudited)

	February 27, 2016	February 28, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 124,471	\$ 115,899
Accounts receivable, net	1,601,008	980,904
Inventories, net of LIFO reserve of \$1,006,396 and \$997,528	2,697,104	2,882,980
Deferred tax assets	-	17,823
Prepaid expenses and other current assets	128,144	224,152
Total current assets	4,550,727	4,221,758
Property, plant and equipment, net	2,255,398	2,091,369
Goodwill	1,713,475	76,124
Other intangibles, net	1,004,379	421,480
Deferred tax assets	1,539,141	1,766,349
Other assets	213,890	200,345
Total assets	<u>\$ 11,277,010</u>	<u>\$ 8,777,425</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 26,848	\$ 100,376
Accounts payable	1,542,797	1,133,520
Accrued salaries, wages and other current liabilities	1,427,250	1,193,419
Deferred tax liabilities	-	57,685
Total current liabilities	2,996,895	2,485,000
Long-term debt, less current maturities	6,914,393	5,397,588
Lease financing obligations, less current maturities	52,895	61,152
Other noncurrent liabilities	731,399	776,629
Total liabilities	10,695,582	8,720,369
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,047,754	988,558
Additional paid-in capital	4,822,665	4,521,023
Accumulated deficit	(5,241,210)	(5,406,675)
Accumulated other comprehensive loss	(47,781)	(45,850)
Total stockholders' equity	581,428	57,056
Total liabilities and stockholders' equity	<u>\$ 11,277,010</u>	<u>\$ 8,777,425</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Thirteen weeks ended February 27, 2016	Thirteen weeks ended February 28, 2015
Revenues	\$ 8,270,136	\$ 6,847,929
Costs and expenses:		
Cost of revenues	6,228,581	4,892,068
Selling, general and administrative expenses	1,810,288	1,718,327
Lease termination and impairment charges	26,753	21,284
Interest expense	103,678	98,442
Gain on sale of assets, net	(348)	(1,259)
	<u>8,168,952</u>	<u>6,728,862</u>
Income before income taxes	101,184	119,067
Income tax expense (benefit)	35,567	(1,715,965)
Net income	<u>\$ 65,617</u>	<u>\$ 1,835,032</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 65,617	\$ 1,835,032
Add back - Interest on convertible notes	-	1,364
Income attributable to common stockholders - diluted	<u>\$ 65,617</u>	<u>\$ 1,836,396</u>
Denominator:		
Basic weighted average shares	1,041,157	977,716
Outstanding options and restricted shares, net	17,357	22,097
Convertible notes	-	24,792
Diluted weighted average shares	<u>1,058,514</u>	<u>1,024,605</u>
Basic income per share	\$ 0.06	\$ 1.88
Diluted income per share	\$ 0.06	\$ 1.79

RITE AID CORPORATION AND SUBSIDIARIES

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

	Fifty-two weeks ended February 27, 2016	Fifty-two weeks ended February 28, 2015
Revenues	\$ 30,736,657	\$ 26,528,377
Costs and expenses:		
Cost of revenues	22,910,402	18,951,645
Selling, general and administrative expenses	7,013,346	6,695,642
Lease termination and impairment charges	48,423	41,945
Interest expense	449,574	397,612
Loss on debt retirements, net	33,205	18,512
Loss (gain) on sale of assets, net	3,303	(3,799)
	<u>30,458,253</u>	<u>26,101,557</u>
Income before income taxes	278,404	426,820
Income tax expense (benefit)	112,939	(1,682,353)
Net income	<u>\$ 165,465</u>	<u>\$ 2,109,173</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Net income	\$ 165,465	\$ 2,109,173
Add back - Interest on convertible notes	-	5,456
Income attributable to common stockholders - diluted	<u>\$ 165,465</u>	<u>\$ 2,114,629</u>
Denominator:		
Basic weighted average shares	1,024,377	971,102
Outstanding options and restricted shares, net	17,985	21,967
Convertible notes	-	24,792
Diluted weighted average shares	<u>1,042,362</u>	<u>1,017,861</u>
Basic income per share	\$ 0.16	\$ 2.17
Diluted income per share	\$ 0.16	\$ 2.08

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended February 27, 2016	Thirteen weeks ended February 28, 2015
Net income	\$ 65,617	\$ 1,835,032
Other comprehensive loss:		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost, net of \$2,875 and \$6,042 tax benefit	(3,723)	(10,495)
Total other comprehensive loss	(3,723)	(10,495)
Comprehensive income	\$ 61,894	\$ 1,824,537

RITE AID CORPORATION AND SUBSIDIARIES

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

	Fifty-two weeks ended February 27, 2016	Fifty-two weeks ended February 28, 2015
Net income	\$ 165,465	\$ 2,109,173
Other comprehensive loss:		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost, net of \$1,681 and \$6,042 tax benefit	(1,931)	(8,516)
Total other comprehensive loss	(1,931)	(8,516)
Comprehensive income	\$ 163,534	\$ 2,100,657

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended February 27, 2016	Thirteen weeks ended February 28, 2015
Retail Pharmacy Segment		
Revenues (a)	\$ 6,826,984	\$ 6,847,929
Cost of revenues (a)	4,873,484	4,892,068
Gross profit	1,953,500	1,955,861
LIFO credit	(6,796)	(23,489)
FIFO gross profit	1,946,704	1,932,372
Gross profit as a percentage of revenues	28.61%	28.56%
LIFO credit as a percentage of revenues	-0.10%	-0.34%
FIFO gross profit as a percentage of revenues	28.51%	28.22%
Selling, general and administrative expenses	1,737,759	1,718,327
Selling, general and administrative expenses as a percentage of revenues	25.45%	25.09%
Cash interest expense	98,081	86,774
Non-cash interest expense	5,342	11,668
Total interest expense	103,423	98,442
Adjusted EBITDA	348,785	343,295
Adjusted EBITDA as a percentage of revenues	5.11%	5.01%
Pharmacy Services Segment		
Revenues (a)	\$ 1,530,729	
Cost of revenues (a)	1,442,674	
Gross profit	88,055	
Gross profit as a percentage of revenues	5.75%	
Adjusted EBITDA	34,224	
Adjusted EBITDA as a percentage of revenues	2.24%	

(a) - Revenues and cost of revenues include \$87,577 of inter-segment activity that is eliminated in consolidation.

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)

(unaudited)

	Fifty-two weeks ended February 27, 2016	Fifty-two weeks ended February 28, 2015
Retail Pharmacy Segment		
Revenues (a)	\$ 26,865,931	\$ 26,528,377
Cost of revenues (a)	19,270,502	18,951,645
Gross profit	7,595,429	7,576,732
LIFO charge (credit)	11,163	(18,857)
FIFO gross profit	7,606,592	7,557,875
Gross profit as a percentage of revenues	28.27%	28.56%
LIFO charge (credit) as a percentage of revenues	0.04%	-0.07%
FIFO gross profit as a percentage of revenues	28.31%	28.49%
Selling, general and administrative expenses	6,824,698	6,695,642
Selling, general and administrative expenses as a percentage of revenues	25.40%	25.24%
Cash interest expense	412,133	372,909
Non-cash interest expense	37,170	24,703
Total interest expense	449,303	397,612
Adjusted EBITDA	1,300,905	1,322,843
Adjusted EBITDA as a percentage of revenues	4.84%	4.99%
Pharmacy Services Segment		
Revenues (a)	\$ 4,103,513	
Cost of revenues (a)	3,872,687	
Gross profit	230,826	
Gross profit as a percentage of revenues	5.63%	
Adjusted EBITDA	101,357	
Adjusted EBITDA as a percentage of revenues	2.47%	

(a) - Revenues and cost of revenues include \$232,787 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 February 27, 2016	Thirteen weeks ended February 28, 2015
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 65,617	\$ 1,835,032
Adjustments:		
Interest expense	103,678	98,442
Income tax expense	61,925	125,339
Income tax valuation allowance reduction	(26,358)	(1,841,304)
Depreciation and amortization	135,430	107,425
LIFO credit	(6,796)	(23,489)
Lease termination and impairment charges	26,753	21,284
Other	22,760	20,566
Adjusted EBITDA	<u>\$ 383,009</u>	<u>\$ 343,295</u>
Percent of revenues	4.63%	5.01%

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

	Fifty-two weeks ended February 27, 2016	Fifty-two weeks ended February 28, 2015
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 165,465	\$ 2,109,173
Adjustments:		
Interest expense	449,574	397,612
Income tax expense	139,297	158,951
Income tax valuation allowance reduction	(26,358)	(1,841,304)
Depreciation and amortization	509,212	416,628
LIFO charge (credit)	11,163	(18,857)
Lease termination and impairment charges	48,423	41,945
Loss on debt retirements, net	33,205	18,512
Other	72,281	40,183
Adjusted EBITDA	<u>\$ 1,402,262</u>	<u>\$ 1,322,843</u>
Percent of revenues	4.56%	4.99%

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
ADJUSTED NET INCOME
(Dollars in thousands, except per share amounts)
(unaudited)

	Thirteen weeks ended February 27, 2016	Thirteen weeks ended February 28, 2015
Net income	\$ 65,617	\$ 1,835,032
Add back - Income tax expense (benefit)	<u>35,567</u>	<u>(1,715,965)</u>
Income before income taxes	101,184	119,067
Adjustments:		
Amortization of EnvisionRx intangible assets	17,310	-
LIFO credit	(6,796)	(23,489)
Acquisition-related costs	<u>5,686</u>	<u>8,309</u>
Adjusted income before income taxes	117,384	103,887
Adjusted income tax expense (a)	41,319	38,646
Adjusted net income	<u>\$ 76,065</u>	<u>\$ 65,241</u>
Adjusted net income per diluted share	\$ 0.07	\$ 0.06

(a) The fiscal year 2015 annual effective tax rate, adjusted for the income tax valuation reduction of \$1.841 billion, is used for the thirteen weeks ended February 28, 2015.

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
ADJUSTED NET INCOME
(Dollars in thousands, except per share amounts)
(unaudited)

	Fifty-two weeks ended February 27, 2016	Fifty-two weeks ended February 28, 2015
Net income	\$ 165,465	\$ 2,109,173
Add back - Income tax expense (benefit)	112,939	(1,682,353)
Income before income taxes	<u>278,404</u>	<u>426,820</u>
Adjustments:		
Amortization of EnvisionRx intangible assets	55,527	-
LIFO charge (credit)	11,163	(18,857)
Loss on debt retirements, net	33,205	18,512
Acquisition-related costs	<u>27,482</u>	<u>8,309</u>
Adjusted income before income taxes	405,781	434,784
Adjusted income tax expense (a)	164,747	161,740
Adjusted net income	<u>\$ 241,034</u>	<u>\$ 273,044</u>
Adjusted net income per diluted share	\$ 0.23	\$ 0.27

(a) The estimated annualized effective tax rate used for the fifty-two weeks ended February 28, 2015 is adjusted for the income tax valuation allowance reduction of \$1.841 billion.

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended February 27, 2016	Thirteen weeks ended February 28, 2015
OPERATING ACTIVITIES:		
Net income	\$ 65,617	\$ 1,835,032
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	135,430	107,425
Lease termination and impairment charges	26,753	21,284
LIFO credit	(6,796)	(23,489)
Gain on sale of assets, net	(348)	(1,259)
Stock-based compensation expense	11,419	6,458
Changes in deferred taxes	28,793	(1,726,487)
Excess tax benefit on stock options and restricted stock	(1,448)	(13,916)
Changes in operating assets and liabilities:		
Accounts receivable	(24,239)	15,591
Inventories	181,619	138,023
Accounts payable	(110,817)	(124,905)
Other assets and liabilities, net	21,882	(58,757)
Net cash provided by operating activities	<u>327,865</u>	<u>175,000</u>
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(127,009)	(101,890)
Intangible assets acquired	(31,036)	(32,949)
Proceeds from sale-leaseback transactions	36,732	-
Proceeds from dispositions of assets and investments	1,085	4,935
Net cash used in investing activities	<u>(120,228)</u>	<u>(129,904)</u>
FINANCING ACTIVITIES:		
Net (payments to) proceeds from revolver	(280,000)	945,000
Principal payments on long-term debt	(5,750)	(1,151,897)
Change in zero balance cash accounts	(27,867)	41,015
Net proceeds from the issuance of common stock	2,751	8,594
Excess tax benefit on stock options and restricted stock	1,448	13,916
Deferred financing costs paid	-	(18,779)
Net cash used in financing activities	<u>(309,418)</u>	<u>(162,151)</u>
Decrease in cash and cash equivalents	(101,781)	(117,055)
Cash and cash equivalents, beginning of period	226,252	232,954
Cash and cash equivalents, end of period	<u>\$ 124,471</u>	<u>\$ 115,899</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Payments for property, plant and equipment	\$ 127,009	\$ 101,890
Intangible assets acquired	<u>31,036</u>	<u>32,949</u>
Total cash capital expenditures	158,045	134,839
Equipment received for noncash consideration	1,000	-
Equipment financed under capital leases	<u>6,115</u>	<u>1,408</u>
Gross capital expenditures	<u>\$ 165,160</u>	<u>\$ 136,247</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Fifty-two weeks ended February 27, 2016	Fifty-two weeks ended February 28, 2015
OPERATING ACTIVITIES:		
Net income	\$ 165,465	\$ 2,109,173
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	509,212	416,628
Lease termination and impairment charges	48,423	41,945
LIFO charge (credit)	11,163	(18,857)
Loss (gain) on sale of assets, net	3,303	(3,799)
Stock-based compensation expense	37,948	23,390
Loss on debt retirements, net	33,205	18,512
Changes in deferred taxes	79,488	(1,726,487)
Excess tax benefit on stock options and restricted stock	(22,884)	(41,563)
Changes in operating assets and liabilities:		
Accounts receivable	291,659	(25,902)
Inventories	181,958	129,985
Accounts payable	(21,187)	(169,952)
Other assets and liabilities, net	(320,351)	(104,114)
Net cash provided by operating activities	997,402	648,959
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(541,347)	(426,828)
Intangible assets acquired	(128,648)	(112,558)
Acquisition of businesses, net of cash acquired	(1,778,377)	(69,793)
Proceeds from sale-leaseback transactions	36,732	-
Proceeds from dispositions of assets and investments	9,782	15,494
Net cash used in investing activities	(2,401,858)	(593,685)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,800,000	1,152,293
Net proceeds from revolver	375,000	1,325,000
Principal payments on long-term debt	(672,717)	(2,595,709)
Change in zero balance cash accounts	(62,878)	1,081
Net proceeds from the issuance of common stock	11,376	24,117
Financing fees paid for early debt redemption	(26,003)	(13,841)
Excess tax benefit on stock options and restricted stock	22,884	41,563
Deferred financing costs paid	(34,634)	(20,285)
Net cash provided by (used in) financing activities	1,413,028	(85,781)
Increase (decrease) in cash and cash equivalents	8,572	(30,507)
Cash and cash equivalents, beginning of period	115,899	146,406
Cash and cash equivalents, end of period	\$ 124,471	\$ 115,899

SUPPLEMENTAL CASH FLOW INFORMATION

Payments for property, plant and equipment	\$ 541,347	\$ 426,828
Intangible assets acquired	128,648	112,558
Total cash capital expenditures	669,995	539,386
Equipment received for noncash consideration	3,011	1,600
Equipment financed under capital leases	9,614	6,157
Gross capital expenditures	\$ 682,620	\$ 547,143