

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)  
(unaudited)

	May 28, 2016	February 27, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 144,840	\$ 124,471
Accounts receivable, net	1,679,166	1,601,008
Inventories, net of LIFO reserve of \$1,020,147 and \$1,006,396	2,623,886	2,697,104
Prepaid expenses and other current assets	107,293	128,144
Total current assets	4,555,185	4,550,727
Property, plant and equipment, net	2,257,795	2,255,398
Goodwill	1,713,475	1,713,475
Other intangibles, net	964,709	1,004,379
Deferred tax assets	1,544,890	1,539,141
Other assets	218,893	213,890
Total assets	<u>\$ 11,254,947</u>	<u>\$ 11,277,010</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 25,640	\$ 26,848
Accounts payable	1,663,436	1,542,797
Accrued salaries, wages and other current liabilities	1,290,693	1,427,250
Total current liabilities	2,979,769	2,996,895
Long-term debt, less current maturities	6,899,025	6,914,393
Lease financing obligations, less current maturities	49,737	52,895
Other noncurrent liabilities	734,912	731,399
Total liabilities	10,663,443	10,695,582
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,048,768	1,047,754
Additional paid-in capital	4,835,634	4,822,665
Accumulated deficit	(5,245,798)	(5,241,210)
Accumulated other comprehensive loss	(47,100)	(47,781)
Total stockholders' equity	591,504	581,428
Total liabilities and stockholders' equity	<u>\$ 11,254,947</u>	<u>\$ 11,277,010</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Thirteen weeks ended May 28, 2016	Thirteen weeks ended May 30, 2015
Revenues	\$ 8,184,181	\$ 6,647,561
Costs and expenses:		
Cost of revenues	6,289,881	4,788,031
Selling, general and administrative expenses	1,793,247	1,699,585
Lease termination and impairment charges	5,781	5,022
Interest expense	105,113	123,607
Loss on sale of assets, net	1,056	39
	<u>8,195,078</u>	<u>6,616,284</u>
(Loss) income before income taxes	(10,897)	31,277
Income tax (benefit) expense	(6,309)	12,441
Net (loss) income	<u>\$ (4,588)</u>	<u>\$ 18,836</u>
Basic and diluted (loss) earnings per share:		
Numerator for (loss) earnings per share:		
(Loss) Income attributable to common stockholders - basic and diluted	<u>\$ (4,588)</u>	<u>\$ 18,836</u>
Denominator:		
Basic weighted average shares	1,042,437	986,691
Outstanding options and restricted shares, net	<u>-</u>	<u>22,461</u>
Diluted weighted average shares	<u>1,042,437</u>	<u>1,009,152</u>
Basic and diluted (loss) income per share	\$ (0.00)	\$ 0.02

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended May 28, 2016	Thirteen weeks ended May 30, 2015
Net (loss) income	\$ (4,588)	\$ 18,836
Other comprehensive income (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 \$451 and \$398 tax expense	681	597
Total other comprehensive income	681	597
Comprehensive (loss) income	<u>\$ (3,907)</u>	<u>\$ 19,433</u>

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended May 28, 2016	Thirteen weeks ended May 30, 2015
<b>Retail Pharmacy Segment</b>		
Revenues (a)	\$ 6,675,548	\$ 6,647,561
Cost of revenues (a)	4,870,181	4,788,031
Gross profit	1,805,367	1,859,530
LIFO charge	13,751	5,987
FIFO gross profit	1,819,118	1,865,517
Gross profit as a percentage of revenues	27.04%	27.97%
LIFO charge as a percentage of revenues	0.21%	0.09%
FIFO gross profit as a percentage of revenues	27.25%	28.06%
Selling, general and administrative expenses	1,723,903	1,699,585
Selling, general and administrative expenses as a percentage of revenues	25.82%	25.57%
Cash interest expense	99,682	102,762
Non-cash interest expense	5,429	20,845
Total interest expense	105,111	123,607
Adjusted EBITDA	244,827	299,263
Adjusted EBITDA as a percentage of revenues	3.67%	4.50%
<b>Pharmacy Services Segment</b>		
Revenues (a)	\$ 1,602,359	
Cost of revenues (a)	1,513,426	
Gross profit	88,933	
Gross profit as a percentage of revenues	5.55%	
Adjusted EBITDA	41,175	
Adjusted EBITDA as a percentage of revenues	2.57%	

(a) - Revenues and cost of revenues includes \$93,726 of inter-segment activity that is eliminated in consolidation.

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

	Thirteen weeks ended May 28, 2016	Thirteen weeks ended May 30, 2015
Reconciliation of net (loss) income to adjusted EBITDA:		
Net (loss) income	\$ (4,588)	\$ 18,836
Adjustments:		
Interest expense	105,113	123,607
Income tax (benefit) expense	(6,309)	12,441
Depreciation and amortization	138,788	109,649
LIFO charge	13,751	5,987
Lease termination and impairment charges	5,781	5,022
Other	33,466	23,721
Adjusted EBITDA	<u>\$ 286,002</u>	<u>\$ 299,263</u>
Percent of revenues	3.49%	4.50%

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

	Thirteen weeks ended May 28, 2016	Thirteen weeks ended May 30, 2015
Net (loss) income	\$ (4,588)	\$ 18,836
Add back - Income tax (benefit) expense	(6,309)	12,441
(Loss) income before income taxes	(10,897)	31,277
Adjustments:		
Amortization of EnvisionRx intangible assets	20,315	-
LIFO charge	13,751	5,987
Merger and Acquisition-related costs	2,756	2,084
Adjusted income before income taxes	25,925	39,348
Adjusted income tax expense	11,459	15,661
Adjusted net income	\$ 14,466	\$ 23,687
Adjusted net income per diluted share:		
Numerator for adjusted net income per diluted share:		
Adjusted net income	\$ 14,466	\$ 23,687
Denominator:		
Basic weighted average shares	1,042,437	986,691
Outstanding options and restricted shares, net	17,187	22,461
Diluted weighted average shares	1,059,624	1,009,152
Adjusted net income per diluted share	\$ 0.01	\$ 0.02

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended May 28, 2016	Thirteen weeks ended May 30, 2015
OPERATING ACTIVITIES:		
Net (loss) income	\$ (4,588)	\$ 18,836
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	138,788	109,649
Lease termination and impairment charges	5,781	5,022
LIFO charge	13,751	5,987
Loss on sale of assets, net	1,056	39
Stock-based compensation expense	11,144	7,370
Changes in deferred taxes	(5,749)	9,540
Excess tax benefit on stock options and restricted stock	(883)	(2,820)
Changes in operating assets and liabilities:		
Accounts receivable	(74,530)	11,027
Inventories	59,440	56,204
Accounts payable	115,646	79,715
Other assets and liabilities, net	(99,912)	67,266
Net cash provided by operating activities	159,944	367,835
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(106,077)	(141,037)
Intangible assets acquired	(16,381)	(14,293)
Proceeds from dispositions of assets and investments	3,088	2,838
Net cash used in investing activities	(119,370)	(152,492)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	1,800,000
Net payments to revolver	(20,000)	(141,000)
Principal payments on long-term debt	(5,721)	(5,577)
Change in zero balance cash accounts	2,262	(34,275)
Net proceeds from the issuance of common stock	2,371	3,378
Excess tax benefit on stock options and restricted stock	883	2,820
Deferred financing costs paid	-	(34,459)
Net cash (used in) provided by financing activities	(20,205)	1,590,887
Increase in cash and cash equivalents	20,369	1,806,230
Cash and cash equivalents, beginning of period	124,471	115,899
Cash and cash equivalents, end of period	\$ 144,840	\$ 1,922,129

**SUPPLEMENTAL CASH FLOW INFORMATION**

Payments for property, plant and equipment	\$ 106,077	\$ 141,037
Intangible assets acquired	16,381	14,293
Total cash capital expenditures	122,458	155,330
Equipment received for noncash consideration	632	545
Equipment financed under capital leases	1,553	800
Gross capital expenditures	\$ 124,643	\$ 156,675