

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	August 27, 2016	February 27, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 136,093	\$ 124,471
Accounts receivable, net	1,828,641	1,601,008
Inventories, net of LIFO reserve of \$1,033,907 and \$1,006,396	2,827,018	2,697,104
Prepaid expenses and other current assets	146,764	128,144
Total current assets	4,938,516	4,550,727
Property, plant and equipment, net	2,281,392	2,255,398
Goodwill	1,715,479	1,713,475
Other intangibles, net	921,348	1,004,379
Deferred tax assets	1,538,604	1,539,141
Other assets	215,630	213,890
Total assets	<u>\$ 11,610,969</u>	<u>\$ 11,277,010</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 24,399	\$ 26,848
Accounts payable	1,695,840	1,542,797
Accrued salaries, wages and other current liabilities	1,331,707	1,427,250
Total current liabilities	3,051,946	2,996,895
Long-term debt, less current maturities	7,173,656	6,914,393
Lease financing obligations, less current maturities	46,641	52,895
Other noncurrent liabilities	722,057	731,399
Total liabilities	10,994,300	10,695,582
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,052,125	1,047,754
Additional paid-in capital	4,841,988	4,822,665
Accumulated deficit	(5,231,025)	(5,241,210)
Accumulated other comprehensive loss	(46,419)	(47,781)
Total stockholders' equity	616,669	581,428
Total liabilities and stockholders' equity	<u>\$ 11,610,969</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 August 27, 2016	Thirteen weeks ended August 29, 2015
Revenues	\$ 8,029,806	\$ 7,664,776
Costs and expenses:		
Cost of revenues	6,113,063	5,742,485
Selling, general and administrative expenses	1,778,247	1,725,826
Lease termination and impairment charges	7,233	9,637
Interest expense	105,388	115,410
Loss on debt retirements, net	-	33,205
Loss on sale of assets, net	174	281
	<u>8,004,105</u>	<u>7,626,844</u>
Income before income taxes	25,701	37,932
Income tax expense	10,928	16,463
Net income	<u>\$ 14,773</u>	<u>\$ 21,469</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Income attributable to common stockholders - basic and diluted	<u>\$ 14,773</u>	<u>\$ 21,469</u>
Denominator:		
Basic weighted average shares	1,044,198	1,029,793
Outstanding options and restricted shares, net	<u>17,251</u>	<u>19,341</u>
Diluted weighted average shares	<u>1,061,449</u>	<u>1,049,134</u>
Basic and diluted income per share	\$ 0.01	\$ 0.02

RITE AID CORPORATION AND SUBSIDIARIES

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

	Twenty-six weeks ended August 27, 2016	Twenty-six weeks ended August 29, 2015
Revenues	\$ 16,213,987	\$ 14,312,337
Costs and expenses:		
Cost of revenues	12,402,944	10,530,516
Selling, general and administrative expenses	3,571,494	3,425,411
Lease termination and impairment charges	13,014	14,659
Interest expense	210,501	239,017
Loss on debt retirements, net	-	33,205
Loss on sale of assets, net	1,230	320
	<u>16,199,183</u>	<u>14,243,128</u>
Income before income taxes	14,804	69,209
Income tax expense	4,619	28,904
Net income	<u>\$ 10,185</u>	<u>\$ 40,305</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Income attributable to common stockholders - basic and diluted	<u>\$ 10,185</u>	<u>\$ 40,305</u>
Denominator:		
Basic weighted average shares	1,043,317	1,008,242
Outstanding options and restricted shares, net	<u>17,210</u>	<u>18,959</u>
Diluted weighted average shares	<u>1,060,527</u>	<u>1,027,201</u>
Basic and diluted income per share	\$ 0.01	\$ 0.04

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Thirteen weeks ended August 27, 2016	Thirteen weeks ended August 29, 2015
Net income	\$ 14,773	\$ 21,469
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 \$451 and		
\$398 tax expense	681	598
Total other comprehensive income	681	598
Comprehensive income	\$ 15,454	\$ 22,067

RITE AID CORPORATION AND SUBSIDIARIES

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

	Twenty-six weeks ended August 27, 2016	Twenty-six weeks ended August 29, 2015
Net income	\$ 10,185	\$ 40,305
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 \$902 and \$796 tax expense	1,362	1,195
Total other comprehensive income	1,362	1,195
Comprehensive income	\$ 11,547	\$ 41,500

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended August 27, 2016	Thirteen weeks ended August 29, 2015
Retail Pharmacy Segment		
Revenues (a)	\$ 6,485,482	\$ 6,647,243
Cost of revenues (a)	4,666,133	4,786,730
Gross profit	1,819,349	1,860,513
LIFO charge	13,760	5,986
FIFO gross profit	1,833,109	1,866,499
Gross profit as a percentage of revenues	28.05%	27.99%
LIFO charge as a percentage of revenues	0.21%	0.09%
FIFO gross profit as a percentage of revenues	28.26%	28.08%
Selling, general and administrative expenses	1,708,633	1,678,909
Selling, general and administrative expenses as a percentage of revenues	26.35%	25.26%
Cash interest expense	100,105	109,796
Non-cash interest expense	5,273	5,608
Total interest expense	105,378	115,404
Adjusted EBITDA	262,643	313,602
Adjusted EBITDA as a percentage of revenues	4.05%	4.72%
Pharmacy Services Segment		
Revenues (a)	\$ 1,634,876	\$ 1,071,889
Cost of revenues (a)	1,537,482	1,010,111
Gross profit	97,394	61,778
Gross profit as a percentage of revenues	5.96%	5.76%
Adjusted EBITDA	50,010	33,222
Adjusted EBITDA as a percentage of revenues	3.06%	3.10%

(a) - Revenues and cost of revenues include \$90,552 and \$54,356 of inter-segment activity for the thirteen weeks ended August 27, 2016 and August 29, 2015, respectively, that is eliminated in consolidation.

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)

(unaudited)

	Twenty-six weeks ended August 27, 2016	Twenty-six weeks ended August 29, 2015
Retail Pharmacy Segment		
Revenues (a)	\$ 13,161,030	\$ 13,294,804
Cost of revenues (a)	9,536,314	9,574,761
Gross profit	3,624,716	3,720,043
LIFO charge	27,511	11,973
FIFO gross profit	3,652,227	3,732,016
Gross profit as a percentage of revenues	27.54%	27.98%
LIFO charge as a percentage of revenues	0.21%	0.09%
FIFO gross profit as a percentage of revenues	27.75%	28.07%
Selling, general and administrative expenses	3,432,536	3,378,494
Selling, general and administrative expenses as a percentage of revenues	26.08%	25.41%
Cash interest expense	199,787	212,558
Non-cash interest expense	10,702	26,453
Total interest expense	210,489	239,011
Adjusted EBITDA	507,470	612,865
Adjusted EBITDA as a percentage of revenues	3.86%	4.61%
Pharmacy Services Segment		
Revenues (a)	\$ 3,237,235	\$ 1,071,889
Cost of revenues (a)	3,050,908	1,010,111
Gross profit	186,327	61,778
Gross profit as a percentage of revenues	5.76%	5.76%
Adjusted EBITDA	91,185	33,222
Adjusted EBITDA as a percentage of revenues	2.82%	3.10%

(a) - Revenues and cost of revenues include \$184,278 and \$54,356 of inter-segment activity for the twenty-six weeks ended August 27, 2016 and August 29, 2015, respectively, 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 27, 2016	Thirteen weeks ended August 29, 2015
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 14,773	\$ 21,469
Adjustments:		
Interest expense	105,388	115,410
Income tax expense	10,928	16,463
Depreciation and amortization	142,051	127,699
LIFO charge	13,760	5,986
Lease termination and impairment charges	7,233	9,637
Loss on debt retirements, net	-	33,205
Other	18,520	16,955
Adjusted EBITDA	<u>\$ 312,653</u>	<u>\$ 346,824</u>
Percent of revenues	3.89%	4.52%

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

	Twenty-six weeks ended August 27, 2016	Twenty-six weeks ended August 29, 2015
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 10,185	\$ 40,305
Adjustments:		
Interest expense	210,501	239,017
Income tax expense	4,619	28,904
Depreciation and amortization	280,839	237,348
LIFO charge	27,511	11,973
Lease termination and impairment charges	13,014	14,659
Loss on debt retirements, net	-	33,205
Other	51,986	40,676
Adjusted EBITDA	<u>\$ 598,655</u>	<u>\$ 646,087</u>
Percent of revenues	3.69%	4.51%

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

	Thirteen weeks ended August 27, 2016	Thirteen weeks ended August 29, 2015
Net income	\$ 14,773	\$ 21,469
Add back - Income tax expense	10,928	16,463
Income before income taxes	<u>25,701</u>	<u>37,932</u>
Adjustments:		
Amortization of EnvisionRx intangible assets	20,853	17,040
LIFO charge	13,760	5,986
Loss on debt retirements, net	-	33,205
Merger and Acquisition-related costs	<u>1,402</u>	<u>9,617</u>
Adjusted income before income taxes	61,716	103,780
Adjusted income tax expense	26,229	45,041
Adjusted net income	<u>\$ 35,487</u>	<u>\$ 58,739</u>
Adjusted net income per diluted share:		
Numerator for adjusted net income per diluted share:		
Adjusted net income	<u>\$ 35,487</u>	<u>\$ 58,739</u>
Denominator:		
Basic weighted average shares	1,044,198	1,029,793
Outstanding options and restricted shares, net	<u>17,251</u>	<u>19,341</u>
Diluted weighted average shares	<u>1,061,449</u>	<u>1,049,134</u>
Net income per diluted share	\$ 0.01	\$ 0.02
Adjusted net income per diluted share	\$ 0.03	\$ 0.06

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

	Twenty-six weeks ended August 27, 2016	Twenty-six weeks ended August 29, 2015
Net income	\$ 10,185	\$ 40,305
Add back - Income tax expense	4,619	28,904
Income before income taxes	<u>14,804</u>	<u>69,209</u>
Adjustments:		
Amortization of EnvisionRx intangible assets	41,168	17,040
LIFO charge	27,511	11,973
Loss on debt retirements, net	-	33,205
Merger and Acquisition-related costs	<u>4,158</u>	<u>11,701</u>
Adjusted income before income taxes	87,641	143,128
Adjusted income tax expense	27,344	59,828
Adjusted net income	<u>\$ 60,297</u>	<u>\$ 83,300</u>
Adjusted net income per diluted share:		
Numerator for adjusted net income per diluted share:		
Adjusted net income	<u>\$ 60,297</u>	<u>\$ 83,300</u>
Denominator:		
Basic weighted average shares	1,043,317	1,008,242
Outstanding options and restricted shares, net	<u>17,210</u>	<u>18,959</u>
Diluted weighted average shares	<u>1,060,527</u>	<u>1,027,201</u>
Net income per diluted share	\$ 0.01	\$ 0.04
Adjusted net income per diluted share	\$ 0.06	\$ 0.08

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended August 27, 2016	Thirteen weeks ended August 29, 2015
OPERATING ACTIVITIES:		
Net income	\$ 14,773	\$ 21,469
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	142,051	127,699
Lease termination and impairment charges	7,233	9,637
LIFO charge	13,760	5,986
Loss on sale of assets, net	174	281
Stock-based compensation expense	12,552	8,831
Loss on debt retirements, net	-	33,205
Changes in deferred taxes	7,747	(7,966)
Excess tax benefit on stock options and restricted stock	(2,365)	(18,049)
Changes in operating assets and liabilities:		
Accounts receivable	(152,725)	(2,908)
Inventories	(216,911)	(80,673)
Accounts payable	34,693	(47,806)
Other assets and liabilities, net	(8,060)	(75,969)
Net cash used in operating activities	(147,078)	(26,263)
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(119,641)	(130,646)
Intangible assets acquired	(12,488)	(29,169)
Acquisition of businesses, net of cash acquired	-	(1,779,571)
Proceeds from dispositions of assets and investments	3,745	3,243
Net cash used in investing activities	(128,384)	(1,936,143)
FINANCING ACTIVITIES:		
Net proceeds from revolver	270,000	869,000
Principal payments on long-term debt	(5,509)	(655,640)
Change in zero balance cash accounts	(1,728)	(17,034)
Net proceeds from the issuance of common stock	1,587	4,727
Financing fees paid for early debt redemption	-	(26,003)
Excess tax benefit on stock options and restricted stock	2,365	18,049
Deferred financing costs paid	-	(175)
Net cash provided by financing activities	266,715	192,924
Decrease in cash and cash equivalents	(8,747)	(1,769,482)
Cash and cash equivalents, beginning of period	144,840	1,922,129
Cash and cash equivalents, end of period	\$ 136,093	\$ 152,647

SUPPLEMENTAL CASH FLOW INFORMATION

Payments for property, plant and equipment	\$ 119,641	\$ 130,646
Intangible assets acquired	12,488	29,169
Total cash capital expenditures	132,129	159,815
Equipment received for noncash consideration	114	1,466
Equipment financed under capital leases	1,307	471
Gross capital expenditures	\$ 133,550	\$ 161,752

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Twenty-six weeks ended August 27, 2016	Twenty-six weeks ended August 29, 2015
OPERATING ACTIVITIES:		
Net income	\$ 10,185	\$ 40,305
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	280,839	237,348
Lease termination and impairment charges	13,014	14,659
LIFO charge	27,511	11,973
Loss on sale of assets, net	1,230	320
Stock-based compensation expense	23,696	16,201
Loss on debt retirements, net	-	33,205
Changes in deferred taxes	1,998	1,574
Excess tax benefit on stock options and restricted stock	(3,248)	(20,869)
Changes in operating assets and liabilities:		
Accounts receivable	(227,255)	8,119
Inventories	(157,471)	(24,469)
Accounts payable	150,339	31,909
Other assets and liabilities, net	(107,972)	(8,703)
Net cash provided by operating activities	12,866	341,572
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(225,718)	(271,683)
Intangible assets acquired	(28,869)	(43,462)
Acquisition of businesses, net of cash acquired	-	(1,779,571)
Proceeds from dispositions of assets and investments	6,833	6,081
Net cash used in investing activities	(247,754)	(2,088,635)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	1,800,000
Net proceeds from revolver	250,000	728,000
Principal payments on long-term debt	(11,230)	(661,217)
Change in zero balance cash accounts	534	(51,309)
Net proceeds from the issuance of common stock	3,958	8,105
Financing fees paid for early debt redemption	-	(26,003)
Excess tax benefit on stock options and restricted stock	3,248	20,869
Deferred financing costs paid	-	(34,634)
Net cash provided by financing activities	246,510	1,783,811
Increase in cash and cash equivalents	11,622	36,748
Cash and cash equivalents, beginning of period	124,471	115,899
Cash and cash equivalents, end of period	\$ 136,093	\$ 152,647

SUPPLEMENTAL CASH FLOW INFORMATION

Payments for property, plant and equipment	\$ 225,718	\$ 271,683
Intangible assets acquired	28,869	43,462
Total cash capital expenditures	254,587	315,145
Equipment received for noncash consideration	746	2,011
Equipment financed under capital leases	2,860	1,271
Gross capital expenditures	\$ 258,193	\$ 318,427