

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	June 3, 2017	March 4, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 214,449	\$ 245,410
Accounts receivable, net	1,781,175	1,771,126
Inventories, net of LIFO reserve of \$1,016,650 and \$999,776	2,789,176	2,837,211
Prepaid expenses and other current assets	192,767	211,541
Total current assets	4,977,567	5,065,288
Property, plant and equipment, net	2,218,333	2,251,692
Goodwill	1,715,479	1,715,479
Other intangibles, net	787,969	835,795
Deferred tax assets	1,556,301	1,505,564
Other assets	204,489	219,934
Total assets	<u>\$ 11,460,138</u>	<u>\$ 11,593,752</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 22,460	\$ 21,335
Accounts payable	1,646,457	1,613,909
Accrued salaries, wages and other current liabilities	1,339,778	1,370,004
Total current liabilities	3,008,695	3,005,248
Long-term debt, less current maturities	7,177,918	7,263,288
Lease financing obligations, less current maturities	39,889	44,070
Other noncurrent liabilities	673,008	667,076
Total liabilities	10,899,510	10,979,682
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,053,685	1,053,690
Additional paid-in capital	4,848,675	4,839,854
Accumulated deficit	(5,299,929)	(5,237,157)
Accumulated other comprehensive loss	(41,803)	(42,317)
Total stockholders' equity	560,628	614,070
Total liabilities and stockholders' equity	<u>\$ 11,460,138</u>	<u>\$ 11,593,752</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Thirteen weeks ended June 3, 2017	Thirteen weeks ended May 28, 2016
Revenues	\$ 7,781,453	\$ 8,184,181
Costs and expenses:		
Cost of revenues	6,022,419	6,289,881
Selling, general and administrative expenses	1,761,290	1,793,247
Lease termination and impairment charges	4,086	5,781
Interest expense	109,937	105,113
(Gain) loss on sale of assets, net	(5,721)	1,056
	<u>7,892,011</u>	<u>8,195,078</u>
Loss before income taxes	(110,558)	(10,897)
Income tax benefit	(35,209)	(6,309)
Net loss	<u>\$ (75,349)</u>	<u>\$ (4,588)</u>
Basic and diluted loss per share:		
Numerator for loss per share:		
Loss attributable to common stockholders - basic and diluted	<u>\$ (75,349)</u>	<u>\$ (4,588)</u>
Denominator:		
Basic and diluted weighted average shares	<u>1,046,826</u>	<u>1,042,437</u>
Basic and diluted loss per share	\$ (0.07)	\$ (0.00)

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(unaudited)

	Thirteen weeks ended June 3, 2017	Thirteen weeks ended May 28, 2016
Net loss	\$ (75,349)	\$ (4,588)
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 \$342 and		
\$451 tax expense	514	681
Total other comprehensive income	514	681
Comprehensive loss	\$ (74,835)	\$ (3,907)

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended June 3, 2017	Thirteen weeks ended May 28, 2016
Retail Pharmacy Segment		
Revenues (a)	\$ 6,350,208	\$ 6,675,548
Cost of revenues (a)	4,696,146	4,870,181
Gross profit	1,654,062	1,805,367
LIFO charge	16,874	13,751
FIFO gross profit	1,670,936	1,819,118
Gross profit as a percentage of revenues	26.05%	27.04%
LIFO charge as a percentage of revenues	0.27%	0.21%
FIFO gross profit as a percentage of revenues	26.31%	27.25%
Selling, general and administrative expenses	1,682,391	1,723,903
Selling, general and administrative expenses as a percentage of revenues	26.49%	25.82%
Cash interest expense	104,423	99,682
Non-cash interest expense	5,476	5,429
Total interest expense	109,899	105,111
Adjusted EBITDA	143,965	244,827
Adjusted EBITDA as a percentage of revenues	2.27%	3.67%
Pharmacy Services Segment		
Revenues (a)	\$ 1,513,241	\$ 1,602,359
Cost of revenues (a)	1,408,269	1,513,426
Gross profit	104,972	88,933
Gross profit as a percentage of revenues	6.94%	5.55%
Adjusted EBITDA	48,599	41,175
Adjusted EBITDA as a percentage of revenues	3.21%	2.57%

(a) - Revenues and cost of revenues include \$81,996 and \$93,726 of inter-segment activity for the thirteen weeks ended June 3, 2017 and May 28, 2016, respectively, that is eliminated in consolidation.

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

	Thirteen weeks ended June 3, 2017	Thirteen weeks ended May 28, 2016
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (75,349)	\$ (4,588)
Adjustments:		
Interest expense	109,937	105,113
Income tax benefit	(35,209)	(6,309)
Depreciation and amortization	142,092	138,788
LIFO charge	16,874	13,751
Lease termination and impairment charges	4,086	5,781
Other	30,133	33,466
Adjusted EBITDA	<u>\$ 192,564</u>	<u>\$ 286,002</u>
Percent of revenues	<u>2.47%</u>	<u>3.49%</u>

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

	Thirteen weeks ended June 3, 2017	Thirteen weeks ended May 28, 2016
Net loss	\$ (75,349)	\$ (4,588)
Add back - Income tax benefit	(35,209)	(6,309)
Loss before income taxes	(110,558)	(10,897)
Adjustments:		
Amortization of EnvisionRx intangible assets	20,716	20,315
LIFO charge	16,874	13,751
Merger and Acquisition-related costs	7,239	2,756
Adjusted (loss) income before income taxes	(65,729)	25,925
Adjusted income tax (benefit) expense (a)	(13,292)	9,590
Adjusted net (loss) income	<u>\$ (52,437)</u>	<u>\$ 16,335</u>
Adjusted net (loss) income per diluted share:		
Numerator for adjusted net (loss) income per diluted share:		
Adjusted net (loss) income	<u>\$ (52,437)</u>	<u>\$ 16,335</u>
Denominator:		
Basic weighted average shares	1,046,826	1,042,437
Outstanding options and restricted shares, net	-	17,187
Diluted weighted average shares	<u>1,046,826</u>	<u>1,059,624</u>
Net loss per diluted share	\$ (0.07)	\$ (0.00)
Adjusted net (loss) income per diluted share	\$ (0.05)	\$ 0.02

(a) The fiscal year 2018 and 2017 annual effective tax rates, adjusted to exclude amortization of EnvisionRx intangible assets, LIFO charges and Merger and Acquisition-related costs from book income, are used for the thirteen weeks ended June 3, 2017 and May 28, 2016, respectively.

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended June 3, 2017	Thirteen weeks ended May 28, 2016 (a)
OPERATING ACTIVITIES:		
Net loss	\$ (75,349)	\$ (4,588)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	142,092	138,788
Lease termination and impairment charges	4,086	5,781
LIFO charge	16,874	13,751
(Gain) loss on sale of assets, net	(5,721)	1,056
Stock-based compensation expense	9,038	11,144
Changes in deferred taxes	(38,160)	(5,749)
Excess tax benefit on stock options and restricted stock	-	(883)
Changes in operating assets and liabilities:		
Accounts receivable	(13,757)	(74,530)
Inventories	31,172	59,440
Accounts payable	4,372	115,646
Other assets and liabilities, net	18,087	(99,856)
Net cash provided by operating activities	92,734	160,000
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(60,738)	(106,077)
Intangible assets acquired	(8,234)	(16,381)
Proceeds from dispositions of assets and investments	8,639	3,088
Proceeds from insured loss	2,137	-
Net cash used in investing activities	(58,196)	(119,370)
FINANCING ACTIVITIES:		
Net payments to revolver	(90,000)	(20,000)
Principal payments on long-term debt	(4,267)	(5,721)
Change in zero balance cash accounts	28,768	2,262
Net proceeds from the issuance of common stock	147	2,371
Excess tax benefit on stock options and restricted stock	-	883
Payments for taxes related to net share settlement of equity awards	(147)	(56)
Net cash used in financing activities	(65,499)	(20,261)
(Decrease) increase in cash and cash equivalents	(30,961)	20,369
Cash and cash equivalents, beginning of period	245,410	124,471
Cash and cash equivalents, end of period	\$ 214,449	\$ 144,840

SUPPLEMENTAL CASH FLOW INFORMATION

Payments for property, plant and equipment	\$ 60,738	\$ 106,077
Intangible assets acquired	8,234	16,381
Total cash capital expenditures	68,972	122,458
Equipment received for noncash consideration	1,295	632
Equipment financed under capital leases	3,857	1,553
Gross capital expenditures	\$ 74,124	\$ 124,643

(a) During the thirteen weeks ended June 3, 2017, the Company adopted ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which resulted in a retrospective reclassification of \$56 thousand for payments for taxes related to net share settlement of equity awards from operating activities to financing activities which increased net cash provided by operating activities and increased cash used in financing activities for the thirteen weeks ended May 28, 2016.