

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)  
(unaudited)

	September 2, 2017	March 4, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 238,978	\$ 245,410
Accounts receivable, net	1,843,320	1,771,126
Inventories, net of LIFO reserve of \$1,022,282 and \$999,776	2,877,427	2,837,211
Prepaid expenses and other current assets	221,644	211,541
Total current assets	<u>5,181,369</u>	<u>5,065,288</u>
Property, plant and equipment, net	2,188,217	2,251,692
Goodwill	1,715,479	1,715,479
Other intangibles, net	747,288	835,795
Deferred tax assets	1,453,291	1,505,564
Other assets	212,664	219,934
Total assets	<u>\$ 11,498,308</u>	<u>\$ 11,593,752</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 22,491	\$ 21,335
Accounts payable	1,687,880	1,613,909
Accrued salaries, wages and other current liabilities	1,270,840	1,370,004
Total current liabilities	<u>2,981,211</u>	<u>3,005,248</u>
Long-term debt, less current maturities	7,082,549	7,263,288
Lease financing obligations, less current maturities	37,890	44,070
Other noncurrent liabilities	663,048	667,076
Total liabilities	<u>10,764,698</u>	<u>10,979,682</u>
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,062,411	1,053,690
Additional paid-in capital	4,841,700	4,839,854
Accumulated deficit	(5,129,213)	(5,237,157)
Accumulated other comprehensive loss	(41,288)	(42,317)
Total stockholders' equity	<u>733,610</u>	<u>614,070</u>
Total liabilities and stockholders' equity	<u>\$ 11,498,308</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 September 2, 2017	Thirteen weeks ended August 27, 2016
Revenues	\$ 7,678,903	\$ 8,029,806
Costs and expenses:		
Cost of revenues	5,891,900	6,113,063
Selling, general and administrative expenses	1,734,306	1,778,247
Lease termination and impairment charges	3,128	7,233
Interest expense	111,261	105,388
Walgreens Boots Alliance merger termination fee	(325,000)	-
(Gain) loss on sale of assets, net	(14,495)	174
	<u>7,401,100</u>	<u>8,004,105</u>
Income before income taxes	277,803	25,701
Income tax expense	107,087	10,928
Net income	<u>\$ 170,716</u>	<u>\$ 14,773</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Income attributable to common stockholders - basic and diluted	<u>\$ 170,716</u>	<u>\$ 14,773</u>
Denominator:		
Basic weighted average shares	1,048,548	1,044,198
Outstanding options and restricted shares, net	<u>18,668</u>	<u>17,251</u>
Diluted weighted average shares	<u>1,067,216</u>	<u>1,061,449</u>
Basic and diluted income per share	\$ 0.16	\$ 0.01

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(unaudited)

	Twenty-six weeks ended September 2, 2017	Twenty-six weeks ended August 27, 2016
Revenues	\$ 15,460,356	\$ 16,213,987
Costs and expenses:		
Cost of revenues	11,914,319	12,402,944
Selling, general and administrative expenses	3,495,596	3,571,494
Lease termination and impairment charges	7,214	13,014
Interest expense	221,198	210,501
Walgreens Boots Alliance merger termination fee	(325,000)	-
(Gain) loss on sale of assets, net	(20,216)	1,230
	<u>15,293,111</u>	<u>16,199,183</u>
Income before income taxes	167,245	14,804
Income tax expense	71,878	4,619
Net income	<u>\$ 95,367</u>	<u>\$ 10,185</u>
Basic and diluted earnings per share:		
Numerator for earnings per share:		
Income attributable to common stockholders - basic and diluted	<u>\$ 95,367</u>	<u>\$ 10,185</u>
Denominator:		
Basic weighted average shares	1,047,687	1,043,317
Outstanding options and restricted shares, net	<u>22,597</u>	<u>17,210</u>
Diluted weighted average shares	<u>1,070,284</u>	<u>1,060,527</u>
Basic and diluted income per share	\$ 0.09	\$ 0.01

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)  
(unaudited)

	Thirteen weeks ended September 2, 2017	Thirteen weeks ended August 27, 2016
Net income	<u>\$ 170,716</u>	<u>\$ 14,773</u>
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	<u>515</u>	<u>681</u>
Total other comprehensive income	<u>515</u>	<u>681</u>
Comprehensive income	<u><u>\$ 171,231</u></u>	<u><u>\$ 15,454</u></u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)  
(unaudited)

	Twenty-six weeks ended September 2, 2017	Twenty-six weeks ended August 27, 2016
Net income	\$ 95,367	\$ 10,185
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 \$684 and \$902 tax expense	1,029	1,362
Total other comprehensive income	1,029	1,362
Comprehensive income	<u>\$ 96,396</u>	<u>\$ 11,547</u>

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)  
(unaudited)

	Thirteen weeks ended September 2, 2017	Thirteen weeks ended August 27, 2016
<b>Retail Pharmacy Segment</b>		
Revenues (a)	\$ 6,267,929	\$ 6,485,482
Cost of revenues (a)	4,584,188	4,666,133
Gross profit	1,683,741	1,819,349
LIFO charge	5,632	13,760
FIFO gross profit	1,689,373	1,833,109
Gross profit as a percentage of revenues	26.86%	28.05%
LIFO charge as a percentage of revenues	0.09%	0.21%
FIFO gross profit as a percentage of revenues	26.95%	28.26%
Selling, general and administrative expenses	1,658,873	1,708,633
Selling, general and administrative expenses as a percentage of revenues	26.47%	26.35%
Cash interest expense	105,207	100,105
Non-cash interest expense	5,434	5,273
Total interest expense	110,641	105,378
Adjusted EBITDA	163,995	262,643
Adjusted EBITDA as a percentage of revenues	2.62%	4.05%
<b>Pharmacy Services Segment</b>		
Revenues (a)	\$ 1,492,831	\$ 1,634,876
Cost of revenues (a)	1,389,569	1,537,482
Gross profit	103,262	97,394
Gross profit as a percentage of revenues	6.92%	5.96%
Adjusted EBITDA	49,275	50,010
Adjusted EBITDA as a percentage of revenues	3.30%	3.06%

(a) - Revenues and cost of revenues include \$81,857 and \$90,552 of inter-segment activity for the thirteen weeks ended September 2, 2017 and August 27, 2016, respectively, that is eliminated in consolidation.

RITE AID CORPORATION AND SUBSIDIARIES  
SUPPLEMENTAL SEGMENT OPERATING INFORMATION  
(Dollars in thousands)  
(unaudited)

	Twenty-six weeks ended September 2, 2017	Twenty-six weeks ended August 27, 2016
<b>Retail Pharmacy Segment</b>		
Revenues (a)	\$ 12,618,137	\$ 13,161,030
Cost of revenues (a)	9,280,334	9,536,314
Gross profit	3,337,803	3,624,716
LIFO charge	22,506	27,511
FIFO gross profit	3,360,309	3,652,227
Gross profit as a percentage of revenues	26.45%	27.54%
LIFO charge as a percentage of revenues	0.18%	0.21%
FIFO gross profit as a percentage of revenues	26.63%	27.75%
Selling, general and administrative expenses	3,341,264	3,432,536
Selling, general and administrative expenses as a percentage of revenues	26.48%	26.08%
Cash interest expense	209,630	199,787
Non-cash interest expense	10,910	10,702
Total interest expense	220,540	210,489
Adjusted EBITDA	307,960	507,470
Adjusted EBITDA as a percentage of revenues	2.44%	3.86%
<b>Pharmacy Services Segment</b>		
Revenues (a)	\$ 3,006,072	\$ 3,237,235
Cost of revenues (a)	2,797,838	3,050,908
Gross profit	208,234	186,327
Gross profit as a percentage of revenues	6.93%	5.76%
Adjusted EBITDA	97,874	91,185
Adjusted EBITDA as a percentage of revenues	3.26%	2.82%

(a) - Revenues and cost of revenues include \$163,853 and \$184,278 of inter-segment activity for the twenty-six weeks ended September 2, 2017 and August 27, 2016, 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 September 2, 2017	Thirteen weeks ended August 27, 2016
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 170,716	\$ 14,773
Adjustments:		
Interest expense	111,261	105,388
Income tax expense	107,087	10,928
Depreciation and amortization	132,012	142,051
LIFO charge	5,632	13,760
Lease termination and impairment charges	3,128	7,233
Walgreens Boots Alliance merger termination fee	(325,000)	-
Other	8,434	18,520
Adjusted EBITDA	\$ 213,270	\$ 312,653
Percent of revenues	2.78%	3.89%



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

	Twenty-six weeks ended September 2, 2017	Twenty-six weeks ended August 27, 2016
Reconciliation of net income to adjusted EBITDA:		
Net income	\$ 95,367	\$ 10,185
Adjustments:		
Interest expense	221,198	210,501
Income tax expense	71,878	4,619
Depreciation and amortization	274,104	280,839
LIFO charge	22,506	27,511
Lease termination and impairment charges	7,214	13,014
Walgreens Boots Alliance merger termination fee	(325,000)	-
Other	38,567	51,986
Adjusted EBITDA	\$ 405,834	\$ 598,655
Percent of revenues	2.62%	3.69%

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

	Thirteen weeks ended September 2, 2017	Thirteen weeks ended August 27, 2016
Net income	\$ 170,716	\$ 14,773
Add back - Income tax expense	107,087	10,928
Income before income taxes	277,803	25,701
Adjustments:		
Amortization of EnvisionRx intangible assets	19,560	20,853
LIFO charge	5,632	13,760
Merger and Acquisition-related costs	13,883	1,402
Walgreens Boots Alliance merger termination fee	(325,000)	-
Adjusted (loss) income before income taxes	(8,122)	61,716
Adjusted income tax expense (a)	7,480	25,335
Adjusted net (loss) income	\$ (15,602)	\$ 36,381
Adjusted net (loss) income per diluted share:		
Numerator for adjusted net (loss) income per diluted share:		
Adjusted net (loss) income	\$ (15,602)	\$ 36,381
Denominator:		
Basic weighted average shares	1,048,548	1,044,198
Outstanding options and restricted shares, net	-	17,251
Diluted weighted average shares	1,048,548	1,061,449
Net income per diluted share	\$ 0.16	\$ 0.01
Adjusted net (loss) income per diluted share	\$ (0.01)	\$ 0.03

(a) The fiscal year 2018 and 2017 annual effective tax rates, adjusted to exclude amortization of EnvisionRx intangible assets, LIFO charges, Merger and Acquisition-related costs and the Walgreens Boots Alliance merger termination fee from book income, are used for the thirteen weeks ended September 2, 2017 and August 27, 2016, respectively.

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

	Twenty-six weeks ended September 2, 2017	Twenty-six weeks ended August 27, 2016
Net income	\$ 95,367	\$ 10,185
Add back - Income tax expense	71,878	4,619
Income before income taxes	167,245	14,804
Adjustments:		
Amortization of EnvisionRx intangible assets	40,276	41,168
LIFO charge	22,506	27,511
Merger and Acquisition-related costs	21,121	4,158
Walgreens Boots Alliance merger termination fee	(325,000)	-
Adjusted (loss) income before income taxes	(73,852)	87,641
Adjusted income tax (benefit) expense (a)	(11,346)	34,468
Adjusted net (loss) income	\$ (62,506)	\$ 53,173
Adjusted net (loss) income per diluted share:		
Numerator for adjusted net (loss) income per diluted share:		
Adjusted net (loss) income	\$ (62,506)	\$ 53,173
Denominator:		
Basic weighted average shares	1,047,687	1,043,317
Outstanding options and restricted shares, net	-	17,210
Diluted weighted average shares	1,047,687	1,060,527
Net income per diluted share	\$ 0.09	\$ 0.01
Adjusted net (loss) income per diluted share	\$ (0.06)	\$ 0.05

(a) The fiscal year 2018 and 2017 annual effective tax rates, adjusted to exclude amortization of EnvisionRx intangible assets, LIFO charges, Merger and Acquisition-related costs and the Walgreens Boots Alliance merger termination fee from book income, are used for the twenty-six weeks ended September 2, 2017 and August 27, 2016, respectively.

RITE AID CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)  
(unaudited)

	Thirteen weeks ended September 2, 2017	Thirteen weeks ended August 27, 2016 (a)
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 170,716	\$ 14,773
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	132,012	142,051
Lease termination and impairment charges	3,128	7,233
LIFO charge	5,632	13,760
(Gain) loss on sale of assets, net	(14,495)	174
Stock-based compensation expense	6,324	12,552
Changes in deferred taxes	103,010	7,747
Excess tax benefit on stock options and restricted stock	-	(2,365)
Changes in operating assets and liabilities:		
Accounts receivable	(60,025)	(152,725)
Inventories	(93,886)	(216,911)
Accounts payable	58,180	34,693
Other assets and liabilities, net	(105,499)	(1,943)
Net cash provided by (used in) operating activities	205,097	(140,961)
<b>INVESTING ACTIVITIES:</b>		
Payments for property, plant and equipment	(59,723)	(119,641)
Intangible assets acquired	(4,839)	(12,488)
Proceeds from dispositions of assets and investments	8,768	3,745
Proceeds from insured loss	1,490	-
Net cash used in investing activities	(54,304)	(128,384)
<b>FINANCING ACTIVITIES:</b>		
Net (payments to) proceeds from revolver	(100,000)	270,000
Principal payments on long-term debt	(3,829)	(5,509)
Change in zero balance cash accounts	(18,579)	(1,728)
Net proceeds from the issuance of common stock	68	1,587
Excess tax benefit on stock options and restricted stock	-	2,365
Payments for taxes related to net share settlement of equity awards	(3,924)	(6,117)
Net cash (used in) provided by financing activities	(126,264)	260,598
Increase (decrease) in cash and cash equivalents	24,529	(8,747)
Cash and cash equivalents, beginning of period	214,449	144,840
Cash and cash equivalents, end of period	\$ 238,978	\$ 136,093

**SUPPLEMENTAL CASH FLOW INFORMATION**

Payments for property, plant and equipment	\$ 59,723	\$ 119,641
Intangible assets acquired	4,839	12,488
Total cash capital expenditures	64,562	132,129
Equipment received for noncash consideration	-	114
Equipment financed under capital leases	4,758	1,307
Gross capital expenditures	\$ 69,320	\$ 133,550

(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 \$6.1 million for payments for taxes related to net share settlement of equity awards from operating activities to financing activities which decreased net cash used in operating activities and decreased cash provided by financing activities for the thirteen weeks ended August 27, 2016.

RITE AID CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)  
(unaudited)

	Twenty-six weeks ended September 2, 2017	Twenty-six weeks ended August 27, 2016 (a)
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 95,367	\$ 10,185
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	274,104	280,839
Lease termination and impairment charges	7,214	13,014
LIFO charge	22,506	27,511
(Gain) loss on sale of assets, net	(20,216)	1,230
Stock-based compensation expense	15,362	23,696
Changes in deferred taxes	64,850	1,998
Excess tax benefit on stock options and restricted stock	-	(3,248)
Changes in operating assets and liabilities:		
Accounts receivable	(73,782)	(227,255)
Inventories	(62,714)	(157,471)
Accounts payable	62,552	150,339
Other assets and liabilities, net	(87,412)	(101,799)
Net cash provided by operating activities	297,831	19,039
<b>INVESTING ACTIVITIES:</b>		
Payments for property, plant and equipment	(120,461)	(225,718)
Intangible assets acquired	(13,073)	(28,869)
Proceeds from dispositions of assets and investments	17,407	6,833
Proceeds from insured loss	3,627	-
Net cash used in investing activities	(112,500)	(247,754)
<b>FINANCING ACTIVITIES:</b>		
Net (payments to) proceeds from revolver	(190,000)	250,000
Principal payments on long-term debt	(8,096)	(11,230)
Change in zero balance cash accounts	10,189	534
Net proceeds from the issuance of common stock	215	3,958
Excess tax benefit on stock options and restricted stock	-	3,248
Payments for taxes related to net share settlement of equity awards	(4,071)	(6,173)
Net cash (used in) provided by financing activities	(191,763)	240,337
(Decrease) increase in cash and cash equivalents	(6,432)	11,622
Cash and cash equivalents, beginning of period	245,410	124,471
Cash and cash equivalents, end of period	\$ 238,978	\$ 136,093

**SUPPLEMENTAL CASH FLOW INFORMATION**

Payments for property, plant and equipment	\$ 120,461	\$ 225,718
Intangible assets acquired	13,073	28,869
Total cash capital expenditures	133,534	254,587
Equipment received for noncash consideration	1,295	746
Equipment financed under capital leases	8,615	2,860
Gross capital expenditures	\$ 143,444	\$ 258,193

(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 \$6.2 million 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 decreased cash provided by financing activities for the twenty-six weeks ended August 27, 2016.