

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(unaudited)

	March 3, 2018	March 4, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 447,334	\$ 245,410
Accounts receivable, net	1,869,100	1,771,126
Inventories, net of LIFO reserve of \$581,090 and \$607,326	1,799,539	1,789,541
Prepaid expenses and other current assets	181,181	211,541
Current assets held for sale	438,137	1,047,670
Total current assets	4,735,291	5,065,288
Property, plant and equipment, net	1,431,246	1,526,462
Goodwill	1,421,120	1,682,847
Other intangibles, net	590,443	715,406
Deferred tax assets	594,019	1,505,564
Other assets	217,208	215,917
Noncurrent assets held for sale	-	882,268
Total assets	\$ 8,989,327	\$ 11,593,752
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 20,761	\$ 17,709
Accounts payable	1,651,363	1,613,909
Accrued salaries, wages and other current liabilities	1,231,736	1,340,947
Current liabilities held for sale	560,205	32,683
Total current liabilities	3,464,065	3,005,248
Long-term debt, less current maturities	3,340,099	3,235,888
Lease financing obligations, less current maturities	30,775	37,204
Other noncurrent liabilities	553,378	643,950
Noncurrent liabilities held for sale	-	4,057,392
Total liabilities	7,388,317	10,979,682
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,067,318	1,053,690
Additional paid-in capital	4,850,712	4,839,854
Accumulated deficit	(4,282,471)	(5,237,157)
Accumulated other comprehensive loss	(34,549)	(42,317)
Total stockholders' equity	1,601,010	614,070
Total liabilities and stockholders' equity	\$ 8,989,327	\$ 11,593,752

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(unaudited)

	Thirteen weeks ended March 3, 2018	Fourteen weeks ended March 4, 2017
Revenues	\$ 5,394,264	\$ 5,903,385
Costs and expenses:		
Cost of revenues	4,124,498	4,554,328
Selling, general and administrative expenses	1,181,964	1,253,144
Lease termination and impairment charges	47,675	25,575
Goodwill impairment	261,727	-
Interest expense	50,603	53,391
Gain on sale of assets, net	(5,249)	(6,261)
	<u>5,661,218</u>	<u>5,880,177</u>
(Loss) income from continuing operations before income taxes	(266,954)	23,208
Income tax expense	216,719	48,262
Net loss from continuing operations	(483,673)	(25,054)
Net income from discontinued operations, net of tax	1,250,745	3,912
Net income (loss)	<u>\$ 767,072</u>	<u>\$ (21,142)</u>
Basic and diluted income (loss) per share:		
Numerator for income (loss) per share:		
Net loss from continuing operations attributable to common stockholders - basic and diluted	\$ (483,673)	\$ (25,054)
Net income from discontinued operations attributable to common stockholders - basic and diluted	1,250,745	3,912
Income (loss) attributable to common stockholders - basic and diluted	<u>\$ 767,072</u>	<u>\$ (21,142)</u>
Denominator:		
Basic and diluted weighted average shares	<u>1,053,491</u>	<u>1,045,929</u>
Basic and diluted (loss) income per share		
Continuing operations	\$ (0.46)	\$ (0.02)
Discontinued operations	\$ 1.19	\$ 0.00
Net basic and diluted income per share	<u>\$ 0.73</u>	<u>\$ (0.02)</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(unaudited)

	Fifty-two weeks ended March 3, 2018	Fifty-three weeks ended March 4, 2017
Revenues	\$ 21,528,968	\$ 22,927,540
Costs and expenses:		
Cost of revenues	16,748,863	17,862,833
Selling, general and administrative expenses	4,651,262	4,776,995
Lease termination and impairment charges	58,765	45,778
Goodwill impairment	261,727	-
Interest expense	202,768	200,065
Walgreens Boots Alliance merger termination fee	(325,000)	-
Gain on sale of assets, net	(25,872)	(6,649)
	<u>21,572,513</u>	<u>22,879,022</u>
(Loss) income from continuing operations before income taxes	(43,545)	48,518
Income tax expense	305,987	44,438
Net (loss) income from continuing operations	(349,532)	4,080
Net income (loss) from discontinued operations, net of tax	1,293,002	(27)
Net income	<u>\$ 943,470</u>	<u>\$ 4,053</u>
Basic and diluted (loss) income per share:		
Numerator for income per share:		
Net (loss) income from continuing operations attributable to common stockholders - basic and diluted	\$ (349,532)	\$ 4,080
Net income (loss) from discontinued operations attributable to common stockholders - basic and diluted	1,293,002	(27)
Income attributable to common stockholders - basic and diluted	<u>\$ 943,470</u>	<u>\$ 4,053</u>
Denominator:		
Basic weighted average shares	1,049,628	1,044,427
Outstanding options and restricted shares, net	-	16,399
Diluted weighted average shares	<u>1,049,628</u>	<u>1,060,826</u>
Basic income (loss) per share		
Continuing operations	\$ (0.33)	\$ 0.00
Discontinued operations	\$ 1.23	\$ (0.00)
Net basic income per share	<u>\$ 0.90</u>	<u>\$ 0.00</u>
Diluted income (loss) per share		
Continuing operations	\$ (0.33)	\$ 0.00
Discontinued operations	\$ 1.23	\$ (0.00)
Net diluted income per share	<u>\$ 0.90</u>	<u>\$ 0.00</u>

RITE AID CORPORATION AND SUBSIDIARIES

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

	Thirteen weeks ended March 3, 2018	Fourteen weeks ended March 4, 2017
Net income (loss)	\$ 767,072	\$ (21,142)
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 \$3,816 and \$2,247 tax expense	5,712	3,421
Adjustment for implementation of ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	513	-
Total other comprehensive income	<u>6,225</u>	<u>3,421</u>
Comprehensive income (loss)	<u>\$ 773,297</u>	<u>\$ (17,721)</u>

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Fifty-two weeks ended March 3, 2018	Fifty-three weeks ended March 4, 2017
Net income	\$ 943,470	\$ 4,053
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 \$4,842 and \$3,600 tax expense	7,255	5,464
Adjustment for implementation of ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	513	-
Total other comprehensive income	<u>7,768</u>	<u>5,464</u>
Comprehensive income	<u>\$ 951,238</u>	<u>\$ 9,517</u>

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended March 3, 2018	Fourteen weeks ended March 4, 2017
Retail Pharmacy Segment		
Revenues from continuing operations (a)	\$ 3,999,430	\$ 4,447,175
Cost of revenues from continuing operations (a)	<u>2,830,327</u>	<u>3,201,466</u>
Gross profit from continuing operations	1,169,103	1,245,709
LIFO credit from continuing operations	<u>(49,220)</u>	<u>(28,987)</u>
FIFO gross profit from continuing operations	1,119,883	1,216,722
Gross profit as a percentage of revenues - continuing operations	29.23%	28.01%
LIFO credit as a percentage of revenues - continuing operations	-1.23%	-0.65%
FIFO gross profit as a percentage of revenues - continuing operations	28.00%	27.36%
Selling, general and administrative expenses from continuing operations	1,093,258	1,171,840
Selling, general and administrative expenses as a percentage of revenues - continuing operations	27.34%	26.35%
Cash interest expense	90,915	109,584
Non-cash interest expense	<u>5,217</u>	<u>5,639</u>
Total interest expense	96,132	115,223
Interest expense - continuing operations	<u>50,628</u>	<u>53,433</u>
Interest expense - discontinued operations	45,504	61,790
Adjusted EBITDA - continuing operations	124,107	122,951
Adjusted EBITDA as a percentage of revenues - continuing operations	3.10%	2.76%
Pharmacy Services Segment		
Revenues (a)	\$ 1,445,457	\$ 1,510,814
Cost of revenues (a)	<u>1,344,794</u>	<u>1,407,466</u>
Gross profit	100,663	103,348
Gross profit as a percentage of revenues	6.96%	6.84%
Adjusted EBITDA	33,297	44,619
Adjusted EBITDA as a percentage of revenues	2.30%	2.95%

(a) - Revenues and cost of revenues include \$50,623 and \$54,604 of inter-segment activity for the thirteen weeks ended March 3, 2018 and the fourteen weeks ended March 4, 2017, respectively, that is eliminated in consolidation.

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

	Fifty-two weeks ended March 3, 2018	Fifty-three weeks ended March 4, 2017
Retail Pharmacy Segment		
Revenues from continuing operations (a)	\$ 15,832,625	\$ 16,766,620
Cost of revenues from continuing operations (a)	11,460,252	12,094,645
Gross profit from continuing operations	4,372,373	4,671,975
LIFO credit from continuing operations	(28,827)	(3,721)
FIFO gross profit from continuing operations	4,343,546	4,668,254
Gross profit as a percentage of revenues - continuing operations	27.62%	27.86%
LIFO credit as a percentage of revenues - continuing operations	-0.18%	-0.02%
FIFO gross profit as a percentage of revenues - continuing operations	27.43%	27.84%
Selling, general and administrative expenses from continuing operations	4,328,567	4,483,496
Selling, general and administrative expenses as a percentage of revenues - continuing operations	27.34%	26.74%
Cash interest expense	404,491	410,386
Non-cash interest expense	21,566	21,612
Total interest expense	426,057	431,998
Interest expense - continuing operations	201,756	200,072
Interest expense - discontinued operations	224,301	231,926
Adjusted EBITDA - continuing operations	388,360	551,816
Adjusted EBITDA as a percentage of revenues - continuing operations	2.45%	3.29%
Pharmacy Services Segment		
Revenues (a)	\$ 5,896,669	\$ 6,393,884
Cost of revenues (a)	5,488,937	6,001,152
Gross profit	407,732	392,732
Gross profit as a percentage of revenues	6.91%	6.14%
Adjusted EBITDA	171,534	188,235
Adjusted EBITDA as a percentage of revenues	2.91%	2.94%

(a) - Revenues and cost of revenues include \$200,326 and \$232,964 of inter-segment activity for the fifty-two weeks ended March 3, 2018 and the fifty-three weeks ended March 4, 2017, 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 March 3, 2018	Fourteen weeks ended March 4, 2017
Reconciliation of net loss to adjusted EBITDA:		
Net loss - continuing operations	\$ (483,673)	\$ (25,054)
Adjustments:		
Interest expense	50,603	53,391
Income tax expense	216,719	48,262
Depreciation and amortization	93,609	102,906
LIFO credit	(49,220)	(28,987)
Lease termination and impairment charges	47,675	25,575
Goodwill impairment	261,727	-
Other	19,964	(8,523)
Adjusted EBITDA - continuing operations	\$ 157,404	\$ 167,570
Percent of revenues - continuing operations	2.92%	2.84%
Pro-forma Adjustments:		
Adjustment for additional week	\$ -	\$ (10,800)
Adjustment to reflect a full TSA fee	15,800	24,000
Pro Forma Adjusted EBITDA - continuing operations	\$ 173,204	\$ 180,770

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

	Fifty-two weeks ended March 3, 2018	Fifty-three weeks ended March 4, 2017
Reconciliation of net (loss) income to adjusted EBITDA:		
Net (loss) income - continuing operations	\$ (349,532)	\$ 4,080
Adjustments:		
Interest expense	202,768	200,065
Income tax expense	305,987	44,438
Depreciation and amortization	386,057	407,366
LIFO credit	(28,827)	(3,721)
Lease termination and impairment charges	58,765	45,778
Goodwill impairment	261,727	-
Walgreens Boots Alliance merger termination fee	(325,000)	-
Other	47,949	42,045
Adjusted EBITDA - continuing operations	\$ 559,894	\$ 740,051
Percent of revenues - continuing operations	2.60%	3.23%
Pro-forma Adjustments:		
Adjustment for additional week	\$ -	\$ (10,800)
Adjustment to reflect a full TSA fee	87,600	96,000
Pro Forma Adjusted EBITDA - continuing operations	\$ 647,494	\$ 825,251

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

	Thirteen weeks ended March 3, 2018	Fourteen weeks ended March 4, 2017
Net loss from continuing operations	\$ (483,673)	\$ (25,054)
Add back - Income tax expense	216,719	48,262
(Loss) income before income taxes - continuing operations	(266,954)	23,208
Adjustments:		
Amortization of EnvisionRx intangible assets	19,139	20,805
LIFO credits	(49,220)	(28,987)
Goodwill Impairment	261,727	-
Merger and Acquisition-related costs	6,885	7,944
Adjusted (loss) income before income taxes - continuing operations	(28,423)	22,970
Adjusted income tax (benefit) expense (a)	(18,143)	3,160
Adjusted net (loss) income from continuing operations	\$ (10,280)	\$ 19,810
Adjusted net income (loss) per diluted share - continuing operations:		
Numerator for adjusted net (loss) income per diluted share:		
Adjusted net (loss) income from continuing operations	\$ (10,280)	\$ 19,810
Denominator:		
Basic and diluted weighted average shares	1,053,491	1,045,929
Net loss from continuing operations per diluted share - continuing operations	\$ (0.46)	\$ (0.02)
Adjusted net (loss) income per diluted share - continuing operations	\$ (0.01)	\$ 0.02

(a) The fiscal year 2018 and 2017 annual effective tax rates, calculated using a federal rate plus a net state rate that excluded the impact of state NOL's, state credits and valuation allowance, was used for the thirteen weeks ended March 3, 2018 and the fourteen weeks ended March 4, 2017, respectively.

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

	Fifty-two weeks ended March 3, 2018	Fifty-three weeks ended March 4, 2017
Net (loss) income from continuing operations	\$ (349,532)	\$ 4,080
Add back - Income tax expense	305,987	44,438
Income before income taxes - continuing operations	(43,545)	48,518
Adjustments:		
Amortization of EnvisionRx intangible assets	78,554	83,022
LIFO credits	(28,827)	(3,721)
Goodwill Impairment	261,727	-
Merger and Acquisition-related costs	24,283	14,066
Walgreens Boots Alliance merger termination fee	(325,000)	-
Adjusted (loss) income before income taxes - continuing operations	(32,808)	141,885
Adjusted income tax (benefit) expense (a)	(12,570)	57,344
Adjusted net (loss) income from continuing operations	\$ (20,238)	\$ 84,541
Adjusted net (loss) income per diluted share - continuing operations:		
Numerator for adjusted net (loss) income per diluted share:		
Adjusted net (loss) income from continuing operations	\$ (20,238)	\$ 84,541
Denominator:		
Basic weighted average shares	1,049,628	1,044,427
Outstanding options and restricted shares, net	-	16,399
Diluted weighted average shares	1,049,628	1,060,826
Net (loss) income from continuing operations per diluted share - continuing operations	\$ (0.33)	\$ 0.00
Adjusted net (loss) income per diluted share - continuing operations	\$ (0.02)	\$ 0.08

(a) The fiscal year 2018 and 2017 annual effective tax rates, calculated using a federal rate plus a net state rate that excluded the impact of state NOL's, state credits and valuation allowance, was used for the fifty-two weeks ended March 3, 2018 and the fifty-three weeks ended March 4, 2017, respectively.

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

	Thirteen weeks ended March 3, 2018	Fourteen weeks ended March 4, 2017
OPERATING ACTIVITIES:		
Net income (loss)	\$ 767,072	\$ (21,142)
Net income from discontinued operations, net of tax	1,250,745	3,912
Net loss from continuing operations	\$ (483,673)	\$ (25,054)
Adjustments to reconcile to net cash provided by (used in) operating activities of continuing operations:		
Depreciation and amortization	93,609	102,906
Lease termination and impairment charges	47,675	25,575
Goodwill impairment	261,727	-
LIFO credits	(49,220)	(28,987)
Gain on sale of assets, net	(5,249)	(6,261)
Stock-based compensation expense	3,243	(13,284)
Changes in deferred taxes	161,814	28,873
Excess tax benefit on stock options and restricted stock	-	3,266
Changes in operating assets and liabilities:		
Accounts receivable	(329,616)	(78,070)
Inventories	103,566	77,878
Accounts payable	92,570	(138,724)
Other assets and liabilities, net	190,574	37,967
Net cash provided by (used in) operating activities of continuing operations	87,020	(13,915)
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(45,063)	(56,426)
Intangible assets acquired	(8,684)	(3,662)
Proceeds from insured loss	612	-
Proceeds from dispositions of assets and investments	8,332	6,635
Net cash used in investing activities of continuing operations	(44,803)	(53,453)
FINANCING ACTIVITIES:		
Net (payments to) proceeds from revolver	(920)	50,000
Principal payments on long-term debt	(2,590)	(3,860)
Change in zero balance cash accounts	8,011	12,395
Net proceeds from the issuance of common stock	1,380	2,539
Excess tax benefit on stock options and restricted stock	-	(3,266)
Net cash provided by financing activities of continuing operations	5,881	57,808
Cash flows from discontinued operations:		
Operating activities of discontinued operations	(182,832)	74,325
Investing activities of discontinued operations	3,307,047	(38,430)
Financing activities of discontinued operations	(2,894,779)	(953)
Net cash provided by discontinued operations	229,436	34,942
Increase in cash and cash equivalents	277,534	25,382
Cash and cash equivalents, beginning of period	169,800	220,028
Cash and cash equivalents, end of period	\$ 447,334	\$ 245,410

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

	Fifty-two weeks ended March 3, 2018	Fifty-three weeks ended March 4, 2017
OPERATING ACTIVITIES:		
Net income	\$ 943,470	\$ 4,053
Net income (loss) from discontinued operations, net of tax	1,293,002	(27)
Net (loss) income from continuing operations	\$ (349,532)	\$ 4,080
Adjustments to reconcile to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	386,057	407,366
Lease termination and impairment charges	58,765	45,778
Goodwill impairment	261,727	-
LIFO credits	(28,827)	(3,721)
Gain on sale of assets, net	(25,872)	(6,649)
Stock-based compensation expense	25,793	23,482
Changes in deferred taxes	260,411	35,038
Excess tax benefit on stock options and restricted stock	-	(543)
Changes in operating assets and liabilities:		
Accounts receivable	(349,481)	(159,590)
Inventories	18,835	(49,381)
Accounts payable	211,511	39,542
Other assets and liabilities, net	42,083	(152,375)
Net cash provided by operating activities of continuing operations	511,470	183,027
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(185,879)	(254,149)
Intangible assets acquired	(28,885)	(39,648)
Proceeds from insured loss	4,239	-
Proceeds from dispositions of assets and investments	27,586	16,852
Net cash used in investing activities of continuing operations	(182,939)	(276,945)
FINANCING ACTIVITIES:		
Net (payments to) proceeds from revolver	(265,000)	330,000
Principal payments on long-term debt	(9,882)	(16,588)
Change in zero balance cash accounts	35,605	43,080
Net proceeds from the issuance of common stock	5,796	6,951
Excess tax benefit on stock options and restricted stock	-	543
Payments for taxes related to net share settlement of equity awards	(4,103)	(6,254)
Net cash (used in) provided by financing activities of continuing operations	(237,584)	357,732
Cash flows from discontinued operations:		
Operating activities of discontinued operations	(245,126)	49,090
Investing activities of discontinued operations	3,496,222	(187,314)
Financing activities of discontinued operations	(3,140,119)	(4,651)
Net cash provided by (used in) discontinued operations	110,977	(142,875)
Increase in cash and cash equivalents	201,924	120,939
Cash and cash equivalents, beginning of period	245,410	124,471
Cash and cash equivalents, end of period	\$ 447,334	\$ 245,410

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET LOSS GUIDANCE TO ADJUSTED EBITDA GUIDANCE
YEAR ENDING MARCH 2, 2019
(In thousands)
(unaudited)

	Guidance Range	
	Low	High
Total Revenues	\$ 21,700,000	\$ 22,100,000
Same store sales	0.00%	1.00%
Gross Capital Expenditures	\$ 250,000	\$ 250,000
Reconciliation of net loss to adjusted EBITDA:		
Net loss	\$ (95,000)	\$ (40,000)
Adjustments:		
Interest expense	210,000	210,000
Income tax benefit	(15,000)	(10,000)
Depreciation and amortization	380,000	380,000
LIFO charge	35,000	35,000
Loss on debt retirement	15,000	15,000
Store closing and impairment charges	40,000	40,000
Other	45,000	45,000
Adjusted EBITDA	<u>\$ 615,000</u>	<u>\$ 675,000</u>

RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET LOSS GUIDANCE TO ADJUSTED NET INCOME GUIDANCE
YEAR ENDING MARCH 2, 2019
(In thousands)
(unaudited)

	Guidance Range	
	Low	High
Net loss	\$ (95,000)	\$ (40,000)
Add back - Income tax benefit	(15,000)	(10,000)
Loss before income taxes	<u>(110,000)</u>	<u>(50,000)</u>
Adjustments:		
Amortization of EnvisionRx intangible assets	85,000	85,000
LIFO charge	35,000	35,000
Loss on debt retirements	<u>15,000</u>	<u>15,000</u>
Adjusted income before adjusted income taxes	25,000	85,000
Adjusted income tax expense	<u>7,000</u>	<u>24,000</u>
Adjusted net income	<u>\$ 18,000</u>	<u>\$ 61,000</u>
Diluted adjusted net income per share	\$ 0.02	\$ 0.06