

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	February 29, 2020	March 2, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 218,180	\$ 144,353
Accounts receivable, net	1,286,785	1,788,712
Inventories, net	1,921,604	1,871,941
Prepaid expenses and other current assets	181,794	179,132
Current assets held for sale	92,278	117,581
Total current assets	3,700,641	4,101,719
Property, plant and equipment, net	1,215,838	1,308,514
Operating lease right-of-use assets	2,903,256	—
Goodwill	1,108,136	1,108,136
Other intangibles, net	359,491	448,706
Deferred tax assets	16,680	409,084
Other assets	148,327	215,208
Total assets	<u>\$ 9,452,369</u>	<u>\$ 7,591,367</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 8,840	\$ 16,111
Accounts payable	1,484,081	1,618,585
Accrued salaries, wages and other current liabilities	746,318	808,439
Current portion of operating lease liabilities	490,161	—
Current liabilities held for sale	37,063	—
Total current liabilities	2,766,463	2,443,135
Long-term debt, less current maturities	3,077,268	3,454,585
Long-term operating lease liabilities	2,710,347	—
Lease financing obligations, less current maturities	19,326	24,064
Other noncurrent liabilities	204,438	482,893
Total liabilities	8,777,842	6,404,677
Commitments and contingencies	—	—
Stockholders' equity:		
Common stock, par value \$1 per share; 75,000 shares authorized; shares issued and outstanding 54,716 and 54,016	54,716	54,016
Additional paid-in capital	5,890,903	5,876,977
Accumulated deficit	(5,222,194)	(4,713,244)
Accumulated other comprehensive loss	(48,898)	(31,059)
Total stockholders' equity	674,527	1,186,690
Total liabilities and stockholders' equity	<u>\$ 9,452,369</u>	<u>\$ 7,591,367</u>

The accompanying notes are an integral part of these consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended		
	February 29, 2020 (52 Weeks)	March 2, 2019 (52 Weeks)	March 3, 2018 (52 Weeks)
Revenues	\$ 21,928,393	\$ 21,639,557	\$ 21,528,968
Costs and expenses:			
Cost of revenues	17,201,635	16,963,205	16,748,863
Selling, general and administrative expenses	4,587,336	4,592,375	4,651,262
Lease termination and impairment charges	42,843	107,994	58,765
Goodwill and intangible asset impairment charges	—	375,190	261,727
Interest expense	229,657	227,728	202,768
(Gain) loss on debt retirements, net	(55,692)	554	—
Walgreens Boots Alliance merger termination fee	—	—	(325,000)
Loss (gain) on sale of assets, net	4,226	(38,012)	(25,872)
	<u>22,010,005</u>	<u>22,229,034</u>	<u>21,572,513</u>
Loss from continuing operations before income taxes	(81,612)	(589,477)	(43,545)
Income tax expense	<u>387,607</u>	<u>77,477</u>	<u>305,987</u>
Net loss from continuing operations	(469,219)	(666,954)	(349,532)
Net income from discontinued operations, net of tax	<u>17,045</u>	<u>244,741</u>	<u>1,293,002</u>
Net (loss) income	<u>\$ (452,174)</u>	<u>\$ (422,213)</u>	<u>\$ 943,470</u>
Computation of (loss) income attributable to common stockholders:			
Loss from continuing operations attributable to common stockholders—basic and diluted	\$ (469,219)	\$ (666,954)	\$ (349,532)
Income from discontinued operations attributable to common stockholders—basic and diluted	<u>17,045</u>	<u>244,741</u>	<u>1,293,002</u>
(Loss) income attributable to common stockholders—basic and diluted	<u>\$ (452,174)</u>	<u>\$ (422,213)</u>	<u>\$ 943,470</u>
Basic and diluted (loss) income per share:			
Continuing operations	\$ (8.82)	\$ (12.62)	\$ (6.66)
Discontinued operations	<u>\$ 0.32</u>	<u>\$ 4.63</u>	<u>\$ 24.64</u>
Net basic and diluted (loss) income per share	<u>\$ (8.50)</u>	<u>\$ (7.99)</u>	<u>\$ 17.98</u>

The accompanying notes are an integral part of these consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)

	Year Ended		
	February 29, 2020 (52 Weeks)	March 2, 2019 (52 Weeks)	March 3, 2018 (52 Weeks)
Net (loss) income	\$ (452,174)	\$ (422,213)	\$ 943,470
Other comprehensive (loss) income:			
Defined benefit pension plans:			
Amortization of net actuarial losses included in net periodic pension cost, net of \$0, \$1,765 and \$4,842 income tax expense	(17,351)	3,490	7,255
Change in fair value of interest rate cap	(488)	—	
Total other comprehensive (loss) income	(17,839)	3,490	7,255
Comprehensive (loss) income	<u>\$ (470,013)</u>	<u>\$ (418,723)</u>	<u>\$ 950,725</u>

The accompanying notes are an integral part of these consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended February 29, 2020, March 2, 2019 and March 3, 2018

(In thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
BALANCE MARCH 4, 2017	52,685	52,685	\$ 5,840,859	\$ (5,237,157)	\$ (42,317)	\$ 614,070
Net income				943,470		943,470
Other comprehensive income:						
Changes in Defined Benefit Plans, net of \$4,842 tax expense					7,255	7,255
Comprehensive income						950,725
Adoption of ASU 2016-09				11,729		11,729
Adoption of ASU 2018-02				(513)	513	—
Exchange of restricted shares for taxes	(73)	(73)	(4,030)			(4,103)
Issuance of restricted stock	693	693	(693)			—
Cancellation of restricted stock	(180)	(180)	180			—
Amortization of restricted stock balance			18,365			18,365
Stock-based compensation expense			2,761			2,761
Amortization of performance-based incentive plans			1,667			1,667
Stock options exercised	241	241	5,555			5,796
BALANCE MARCH 3, 2018	<u>53,366</u>	<u>\$ 53,366</u>	<u>\$ 5,864,664</u>	<u>\$ (4,282,471)</u>	<u>\$ (34,549)</u>	<u>\$ 1,601,010</u>
Net loss				(422,213)		(422,213)
Other comprehensive income:						
Changes in Defined Benefit Plans, net of \$1,765 tax expense					3,490	3,490
Comprehensive loss						(418,723)
Adoption of ASU 2014-09				(8,560)		(8,560)
Exchange of restricted shares for taxes	(70)	(70)	(2,349)			(2,419)
Issuance of restricted stock	709	709	(709)			—
Cancellation of restricted stock	(88)	(88)	88			—
Amortization of restricted stock balance			14,628			14,628
Stock-based compensation expense			(1,539)			(1,539)
Stock options exercised	99	99	2,194			2,293
BALANCE MARCH 2, 2019	<u>54,016</u>	<u>\$ 54,016</u>	<u>\$ 5,876,977</u>	<u>\$ (4,713,244)</u>	<u>\$ (31,059)</u>	<u>\$ 1,186,690</u>
Net loss				(452,174)		(452,174)
Other comprehensive loss:						
Changes in Defined Benefit Plans, net of \$0 tax expense					(17,351)	(17,351)
Change in fair value of interest rate cap					(488)	(488)
Comprehensive loss						(470,013)
Adoption of ASU 2016-02				(56,776)		(56,776)
Exchange of restricted shares for taxes	(240)	(240)	(1,680)			(1,920)
Issuance of restricted stock	1,402	1,402	(1,402)			—
Cancellation of restricted stock	(462)	(462)	462			—
Amortization of restricted stock balance			15,840			15,840
Stock-based compensation expense			706			706
BALANCE FEBRUARY 29, 2020	<u>54,716</u>	<u>\$ 54,716</u>	<u>\$ 5,890,903</u>	<u>\$ (5,222,194)</u>	<u>\$ (48,898)</u>	<u>\$ 674,527</u>

The accompanying notes are an integral part of these consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended		
	February 29, 2020 (52 Weeks)	March 2, 2019 (52 Weeks)	March 3, 2018 (52 Weeks)
Operating activities:			
Net (loss) income	\$ (452,174)	\$ (422,213)	\$ 943,470
Net income from discontinued operations, net of tax	17,045	244,741	1,293,002
Net loss from continuing operations	\$ (469,219)	\$ (666,954)	\$ (349,532)
Adjustments to reconcile to net cash provided by (used in) operating activities of continuing operations:			
Depreciation and amortization	328,277	357,882	386,057
Lease termination and impairment charges	42,843	107,994	58,765
Goodwill and intangible asset impairment charges	—	375,190	261,727
LIFO (credit) charge	(64,804)	23,354	(28,827)
Loss (gain) on sale of assets, net	4,226	(38,012)	(25,872)
Stock-based compensation expense	16,087	12,115	25,793
(Gain) loss on debt retirements, net	(55,692)	554	—
Changes in deferred taxes	385,904	95,638	260,411
Changes in operating assets and liabilities:			
Accounts receivable	486,563	(75,844)	(349,481)
Inventories	15,141	(44,645)	18,835
Accounts payable	(92,062)	125,925	211,511
Operating lease right-of-use assets and operating lease liabilities	14,112	—	—
Other assets	(38,351)	1,000	(10,082)
Other liabilities	(62,168)	(439,906)	52,165
Net cash provided by (used in) operating activities of continuing operations	510,857	(165,709)	511,470
Investing activities:			
Payments for property, plant and equipment	(171,705)	(196,778)	(185,879)
Intangible assets acquired	(42,681)	(47,911)	(28,885)
Proceeds from insured loss	—	—	4,239
Proceeds from dispositions of assets and investments	59,658	43,550	27,586
Proceeds from sale-leaseback transactions	4,879	2,587	—
Net cash used in investing activities of continuing operations	(149,849)	(198,552)	(182,939)
Financing activities:			
Proceeds from issuance of long-term debt	600,000	450,000	—
Net (payments to) proceeds from revolver	(225,000)	875,000	(265,000)
Principal payments on long-term debt	(706,103)	(440,370)	(9,882)
Change in zero balance cash accounts	12,671	(59,481)	35,605
Net proceeds from issuance of common stock	—	2,294	5,796
Payments for taxes related to net share settlement of equity awards	(1,921)	(2,419)	(4,103)
Financing fees paid for early debt redemption	(518)	(171)	—
Deferred financing costs paid	(5,781)	(21,564)	—
Net cash (used in) provided by financing activities of continuing operations	(326,652)	803,289	(237,584)
Cash flows from discontinued operations:			
Operating activities of discontinued operations	(23,836)	(62,956)	(245,126)
Investing activities of discontinued operations	63,307	664,740	3,496,222
Financing activities of discontinued operations	—	(1,343,793)	(3,140,119)
Net cash provided by (used in) discontinued operations	39,471	(742,009)	110,977
Increase (decrease) in cash and cash equivalents	73,827	(302,981)	201,924
Cash and cash equivalents, beginning of period	144,353	447,334	245,410
Cash and cash equivalents, end of period	\$ 218,180	\$ 144,353	\$ 447,334

The accompanying notes are an integral part of these consolidated financial statements.