

OFFICE DEPOT, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

We report our results in accordance with accounting principles generally accepted in the United States (“GAAP”). We also review certain financial measures excluding impacts of transactions that are not related to our core operations (“non-GAAP”). Management believes that the presentation of these non-GAAP financial measures enhances the ability of its investors to analyze trends in its business and provides a means to compare periods that may be affected by various items that might obscure trends or developments in its business. Management uses both GAAP and non-GAAP measures to assist in making business decisions and assessing overall performance. Non-GAAP measures help to evaluate programs and activities that are intended to attract and satisfy customers, separate from expenses and credits directly associated with Merger, restructuring, and certain similar items. Certain non-GAAP measures are also used for short- and long-term incentive programs.

Our measurement of these non-GAAP financial measures may be different from similarly titled financial measures used by others and therefore may not be comparable. These non-GAAP financial measures should not be considered superior to the GAAP measures, but only to clarify some information and assist the reader. We have included reconciliations of this information to the most comparable GAAP measures in the tables included within this material.

The Company’s outlook for 2018 is for continuing operations only and includes non-GAAP measures, such as adjusted operating income and adjusted diluted earnings per share, which excludes charges or credits not indicative of our core operations, which may include but not be limited to merger integration expenses, restructuring charges, asset impairments, and other significant items that currently cannot be predicted. The exact amount of these charges or credits are not currently determinable, but may be significant. Accordingly, the company is unable to provide equivalent reconciliations from GAAP to non-GAAP for these financial measures.

OFFICE DEPOT, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
NET INCOME
(Dollars in millions, except per share amounts) *

	<u>13 Weeks Ended December 30, 2017</u>	<u>14 Weeks Ended December 31, 2016</u>	<u>52 Weeks Ended December 30, 2017</u>	<u>53 Weeks Ended December 31, 2016</u>
Net Income				
Net income (loss)	\$ (52)	\$ 80	\$ 181	\$ 529
Discontinued operations, net of tax	(4)	25	35	(150)
Net income (loss) from continuing operations	(48)	55	146	679
Add (Less):				
Charges and credits, after tax	92	5	96	(427)
Adjusted net income from continuing operations	<u>\$ 45</u>	<u>\$ 59</u>	<u>\$ 241</u>	<u>\$ 251</u>
EPS from continuing operations (most dilutive) - GAAP	\$ (0.09)	\$ 0.10	\$ 0.27	\$ 1.24
Charges and credits, after tax	(0.17)	(0.01)	(0.18)	0.78
Adjusted EPS from continuing operations (most dilutive)	<u>\$ 0.08</u>	<u>\$ 0.11</u>	<u>\$ 0.45</u>	<u>\$ 0.46</u>
Weighted average shares used:				
Basic				
Diluted	537	520	522	539
	545	535	535	549
<u>Charges/Credits</u>				
Merger and transaction related expenses				
Transaction and integration	21	7	37	37
Facility closure, contract termination, and other expenses, net	1	6	5	27
Total Merger and transaction related expenses	<u>22</u>	<u>13</u>	<u>42</u>	<u>64</u>
Terminated Staples Acquisition (income) expenses				
Retention	-	-	-	15
Transaction	-	-	-	43
Termination Fee	-	-	-	(250)
Total Terminated Staples Acquisition (income) expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(192)</u>
Restructuring expenses				
Severance	2	9	28	22
Facility closure, contract termination, professional fees and other expenses, net	8	21	24	26
Total Restructuring expenses	<u>10</u>	<u>30</u>	<u>52</u>	<u>48</u>
Total Merger and restructuring expenses (income), net	<u>32</u>	<u>43</u>	<u>94</u>	<u>(80)</u>
Asset impairments	3	6	4	15
Loss on extinguishment of debt	-	-	-	15
Selling, general, and administrative expenses - Executive transition costs	1	6	8	6
Charges and credits, pretax	36	55	106	(44)
Tax expense (benefit) **	56	(50)	(10)	(383)
Charges and credits, after tax	<u>\$ 92</u>	<u>\$ 5</u>	<u>\$ 96</u>	<u>\$ (427)</u>

* Amounts may not foot due to rounding.

**The Company released deferred tax asset valuation allowances in the US for GAAP purposes in the third quarter of 2016. The non-GAAP tax calculation removed the US valuation allowances beginning in 2015 because of cumulative income on a non-GAAP basis. Additionally, the 2016 GAAP tax rate reflects impacts of the Staples merger costs; such impacts are excluded for the non-GAAP tax rate.

OFFICE DEPOT, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
OPERATING INCOME
(Dollars in millions)

	<u>13 Weeks Ended December 30, 2017</u>	<u>14 Weeks Ended December 31, 2016</u>	<u>52 Weeks Ended December 30, 2017</u>	<u>53 Weeks Ended December 31, 2016</u>
Operating Income				
Operating income	\$ 59	\$ 57	\$ 341	\$ 531
Add:				
Charges and credits, pretax *	36	55	106	(59)
Adjusted operating income	<u>\$ 95</u>	<u>\$ 111</u>	<u>\$ 446</u>	<u>\$ 471</u>
Sales	\$ 2,581	\$ 2,725	\$ 10,240	\$ 11,021
Operating income margin	2.3%	2.1%	3.3%	4.8%
Adjusted operating income margin	3.7%	4.1%	4.4%	4.3%

Note: Amounts may not foot due to rounding

*Charges and credits, pretax affecting Operating income (loss) do not include Loss on extinguishment of debt of \$15 million in YTD 2016

Results for the 14 weeks and 53 weeks ended December 31, 2016 include the benefit of approximately \$143 million in sales and approximately \$15 million in operating income from the additional week.

The Company's outlook for 2018 adjusted operating income excludes charges or credits not indicative of our core operations, which may include but not be limited to merger integration expenses, restructuring charges, asset impairments, and other significant items that currently cannot be predicted. The exact amount of these charges or credits are not currently determinable, but may be significant. Accordingly, the Company is unable to provide a reconciliation to an equivalent operating income outlook for 2018.

OFFICE DEPOT, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
FREE CASH FLOW
(Dollars in millions)

We define free cash flow as net cash provided by (used in) operating activities less capital expenditures. We believe that reporting free cash flow is useful to management and investors because it relates operating cash flow to the capital that is spent to continue and improve our existing businesses. Further, free cash flow facilitates management's ability to strengthen our balance sheet, repay our debt obligations and consider investment alternatives. Free cash flow is not a measure of financial performance under generally accepted accounting principles in the U.S. and may not be defined and calculated by other companies in the same manner. Free cash flow does not represent the residual cash flow available for discretionary expenditures as it does not incorporate certain cash payments, including payments made on capital lease obligations, scheduled debt repayments or other firm commitments and payments. Free cash flow should not be considered in isolation or as an alternative to cash flow provided by operating activities as an indicator of performance.

	<u>13 Weeks Ended December 30, 2017</u>	<u>14 Weeks Ended December 31, 2016</u>	<u>52 Weeks Ended December 30, 2017</u>	<u>53 Weeks Ended December 31, 2016</u>
Cash Flow Summary				
Net cash provided by operating activities of continuing operations	\$ 59	\$ 46	\$ 467	\$ 492
Net cash used in investing activities of continuing operations	(907)	(27)	(1,033)	(84)
Net cash provided by (used in) in financing activities of continuing operations	672	(70)	473	(475)
Net cash provided by (used in) operating activities of discontinued operations	(19)	(10)	(9)	(122)
Net cash provided by (used in) investing activities of discontinued operations	8	(65)	(68)	(70)
Net cash provided by (used in) financing activities of discontinued operations	-	1	(8)	5
Effect of exchange rate changes on cash and cash equivalents	(1)	(10)	7	(8)
Net increase in cash and cash equivalents	<u>\$ (188)</u>	<u>\$ (135)</u>	<u>\$ (171)</u>	<u>\$ (262)</u>
Free Cash Flow				
Net cash provided by operating activities of continuing operations	\$ 59	\$ 46	\$ 467	\$ 492
Less: Capital expenditures	49	40	141	111
Free Cash Flow of continuing operations	<u>\$ 10</u>	<u>\$ 6</u>	<u>\$ 326</u>	<u>\$ 381</u>

Amounts may not foot due to rounding.

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Sales Comparability Adjustments

Sales Factors Impacting Comparability	13 Weeks Ended December 30, 2017	52 Weeks Ended December 30, 2017
Reported (GAAP) sales decline	-5%	-7%
Add: Sales impact of foreign currency translation	0%	0%
Add: Sales impact associated with U.S. store closures	2%	2%
Add: Sales benefit from 53rd week in prior year	5%	1%
Less: CompuCom acquisition	6%	1%
Adjusted sales decline (excluding impact from foreign currency translation, U.S. retail store closures, additional 53rd week in prior year, and the CompuCom acquisition)	-4%	-5%

Note: Amounts may not foot due to rounding.