

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

We report our results of operations using measures of financial performance prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We also disclose other non-GAAP financial measures that we use to assess our returns and capital structure. These measures are used to assist management in making business decisions to maximize stockholders' value and certain of these measures are included as metrics determining variable pay arrangements.

Non-GAAP results are presented where that presentation will afford management and investors an opportunity to make meaningful comparisons to results in prior periods. The presentation of such non-GAAP information is not intended to suggest that such information is superior to the presentation of GAAP information, 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.

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

	13 Weeks Ended	
	March 26, 2016	March 28, 2015
Net Income (Loss)		
Net income (loss)	\$ 46	\$ 45
Add (Less):		
Charges and credits, after tax	12	27
Adjusted net income (loss)*	<u>\$ 57</u>	<u>\$ 71</u>
Weighted average shares used:		
Basic	549	544
Diluted	555	553
EPS (most dilutive) - GAAP	\$ 0.08	\$ 0.08
Charges and credits, after tax	(0.02)	(0.05)
Adjusted EPS (most dilutive)	<u>\$ 0.10</u>	<u>\$ 0.13</u>
<u>Charges/Credits, after tax</u>		
Merger-related expenses	\$ 14	\$ 15
International restructuring and certain other expenses	5	13
Staples Acquisition expenses	25	15
Asset impairments	-	5
Net impact on operating income (loss)	<u>44</u>	<u>48</u>
Tax expense (benefit)	<u>(32)</u>	<u>(21)</u>
Net impact on income (loss)	<u>\$ 12</u>	<u>\$ 27</u>

Note: Amounts may not foot due to rounding.

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

	13 Weeks Ended	
	March 26, 2016	March 28, 2015
Operating Income (Loss)		
Operating income (loss)	\$ 71	\$ 88
Add:		
Charges and credits, pretax	44	48
Adjusted operating income (loss)	\$ 115	\$ 135
Sales	\$ 3,544	\$ 3,877
Operating income (loss) margin	2.0%	2.3%
Adjusted operating income (loss) margin	3.2%	3.5%

Note: Amounts may not foot due to rounding.

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.

	13 Weeks Ended	
	March 26, 2016	March 28, 2015
Cash Flow Summary		
Net cash provided by (used in) operating activities	\$ (139)	\$ (46)
Net cash provided by (used in) investing activities	(25)	(70)
Net cash provided by (used in) financing activities	(26)	(8)
Effect of exchange rate changes on cash and cash equivalents	-	(20)
Net increase (decrease) in cash and cash equivalents	<u>\$ (190)</u>	<u>\$ (144)</u>
Free Cash Flow		
Net cash provided by (used in) operating activities	\$ (139)	\$ (46)
Less: Capital expenditures	26	27
Free Cash Flow	<u>\$ (165)</u>	<u>\$ (73)</u>

OFFICE DEPOT, INC
STATEMENT OF OPERATIONS ISOLATING CERTAIN IMPACTS
(In millions, except per share amounts)
(Unaudited)

	Q1 2016			Q1 2015		
	As reported	Charges/Credits	As adjusted*	As reported	Charges/Credits	As adjusted*
Sales	\$ 3,544	\$ -	\$ 3,544	\$ 3,877	\$ -	\$ 3,877
Cost of goods sold and occupancy costs	2,688	-	2,688	2,940	-	2,940
Gross profit	856	-	856	937	-	937
Selling, general, and administrative expenses	741	-	741	801	-	801
Asset impairments	-	-	-	5	5	-
Merger, restructuring and other operating expenses, net	44	44	-	43	43	-
Operating income (loss)	71	(44)	115	88	(48)	135
Other income (expense):						
Interest income	6	-	6	6	-	6
Interest expense	(22)	-	(22)	(25)	-	(25)
Other income (expense), net	-	-	-	1	-	1
Income (loss) before income taxes	55	(44)	98	70	(48)	117
Income tax expense (benefit) **	9	(32)	41	25	(21)	46
Net income (loss)	\$ 46	\$ (12)	\$ 57	\$ 45	\$ (27)	\$ 71
Earnings (loss) per share (most dilutive)	\$ 0.08	\$ (0.02)	\$ 0.10	\$ 0.08	\$ (0.05)	\$ 0.13

See discussion of charges and credits in our Form 10-K and Forms 10-Q filed with the US Securities and Exchange Commission.

* As adjusted amounts are non-GAAP financial measures. These measures are presented to provide management and other users an opportunity to make meaningful assessments and comparisons of results from total operations (GAAP) and results after isolating Charges/Credits that are not indicative our core operations (non-GAAP). Such Charges/Credits may include but not be limited to charges and credits related to merger integration, restructuring, Staples acquisition, significant asset impairments, and the related tax impacts of such items. These adjustments may be used for variable pay considerations. The presentation of non-GAAP information is not intended to suggest that such information is superior to the presentation of GAAP information, but only to provide information and assist the reader.

** The Company recognizes deferred tax impacts in its US tax provision for determining non-GAAP net income and EPS. The change results from having accumulated non-GAAP earnings in that jurisdiction for a 36 month period and the projection of future non-GAAP earnings. This change has not been applied to the tax provision for determining GAAP net income or EPS as the Company remains in a cumulative loss for the 36 month period on a GAAP basis.

Note: Amounts may not foot due to rounding.

OFFICE DEPOT, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Sales Comparability Adjustments

Sales Factors Impacting Comparability	13 Weeks Ended March 26, 2016
Reported (GAAP) sales decline	-9%
Exclusion of foreign currency translation impact	-1%
Exclusion of U.S. store closure impacts	-3%
Adjusted Sales decline excluding impact from foreign currency translation, and U.S. retail store closures	<u>-4%</u>

Note: Amounts may not foot due to rounding.