UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 27, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________________ to ______________________

Commission file number 1-10948

OFFICE DEPOT, INC.
(Exact name of registrant as specified in its charter)

Delaware	59-2663954
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2200 Old Germantown Road; Delray Beach, Florida	33445
(Address of principal executive offices)	(Zip Code)

(561) 438-4800
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The registrant had 159,803,233 shares of common stock outstanding as of August 7, 1998.

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OFFICE DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share amounts)
(Unaudited)

	13 Weeks Ended June 27, 1998	13 Weeks Ended June 28, 1997	26 Weeks Ended June 27, 1998	26 Weeks Ended June 28, 1997
Sales	$ 1,697,539	$ 1,531,825	$ 3,678,635	$ 3,304,269
Cost of goods sold and occupancy costs	1,275,663	1,171,291	2,794,301	2,544,194
Gross profit	421,876	360,534	884,334	760,075
Store and warehouse operating and selling expenses	285,973	247,904	592,684	522,521
Pre-opening expenses	2,839	792	4,013	1,583
General and administrative expenses	51,371	45,581	106,836	91,647
Amortization of goodwill	1,311	1,311	2,622	2,623
	341,494	295,588	706,155	618,374
Operating profit	80,382	64,946	178,179	141,701
Other income (expense)				
Interest expense, net	(1,937)	(4,306)	(2,878)	(9,059)
Equity in (losses) earnings of investees, net	(3,534)	(728)	(8,041)	(1,973)
Merger costs	--	(9,483)	--	(16,094)
Earnings before income taxes	74,911	50,429	167,260	114,575
Income taxes	29,197	19,955	65,723	45,314
Net earnings	$ 45,714	$ 30,474	$ 101,537	$ 69,261
Earnings per common share:				
Basic	$ 0.29	$ 0.19	$ 0.64	$ 0.44
Diluted	0.27	0.19	0.60	0.43

The accompanying notes are an integral part of these statements.

OFFICE DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 27, 1998 (Unaudited)	December 27, 1997
ASSETS		
Current assets		
Cash and cash equivalents	$ 327,486	$ 199,637
Receivables, net of allowances	447,957	494,942
Merchandise inventories	1,162,002	1,273,753
Deferred income taxes	43,345	35,846
Prepaid expenses	15,962	16,409
Total current assets	1,996,752	2,020,587
Property and equipment, net	716,671	700,663
Goodwill, net of amortization	182,348	184,711
Other assets	107,811	75,128
	$ 3,003,582	$ 2,981,089
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 726,406	$ 868,725
Accrued expenses	240,362	245,915
Income taxes	28,836	20,669
Current maturities of long-term debt	2,532	2,473
Total current liabilities	998,136	1,137,782
Long-term debt, less current maturities	36,313	29,406
Deferred taxes and other credits	91,466	67,382
Zero coupon, convertible subordinated notes	426,552	417,614
Stockholders' equity		
Common stock - authorized 400,000,000 shares of $.01 par value; issued 161,554,426 in 1998 and 160,466,708 in 1997	1,616	1,605
Additional paid-in capital	670,447	647,752
Accumulated other comprehensive income	(7,536)	(5,503)
Retained earnings	788,338	686,801
Less: 2,163,447 shares of treasury stock, at cost	(1,750)	(1,750)
	1,451,115	1,328,905
	$ 3,003,582	$ 2,981,089

The accompanying notes are an integral part of these statements.

OFFICE DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL
Balance at December 29, 1996	159,417,089	$ 1,594	$ 630,049
Comprehensive income:			
Net earnings for the period			
Foreign currency translation adjustment			
Comprehensive income			
Exercise of stock options (including tax benefits)	611,084	6	9,598
Issuance of stock under employee purchase plan	286,410	3	5,286
401(k) plan matching contributions	151,190	2	2,800
Conversion of LYONs to common stock	935	--	19
Balance at December 27, 1997	160,466,708	1,605	647,752
(UNAUDITED):			
Comprehensive Income:			
Net earnings for the period			
Foreign currency translation adjustment			
Comprehensive income			
Exercise of stock options (including tax benefits)	879,302	9	17,010
Issuance of stock under employee purchase plan	106,493	1	2,860
401(k) and deferred compensation plans matching contributions	86,364	1	2,482
Conversion of LYONs to common stock	15,559	--	343
Balance at June 27, 1998	161,554,426	$ 1,616	$ 670,447

	RETAINED EARNINGS	TREASURY STOCK	COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME
Balance at December 29, 1996	$ 527,125	$ (1,750)		$ (1,073)
Comprehensive income:				
Net earnings for the period	159,676		$ 159,676	
Foreign currency translation adjustment			(4,430)	(4,430)
Comprehensive income			$ 155,246	
Exercise of stock options (including tax benefits)				
Issuance of stock under employee purchase plan				
401(k) plan matching contributions				
Conversion of LYONs to common stock				
Balance at December 27, 1997	686,801	(1,750)		(5,503)
(UNAUDITED):				
Comprehensive Income:				
Net earnings for the period	101,537		$ 101,537	
Foreign currency translation adjustment			(2,033)	(2,033)
Comprehensive income			$ 99,504	
Exercise of stock options (including tax benefits)				
Issuance of stock under employee purchase plan				
401(k) and deferred compensation plans matching contributions				

Conversion of LYONs to common stock				
Balance at June 27, 1998	$ 788,338	$ (1,750)		$ (7,536)

The accompanying notes are an integral part of these statements.

OFFICE DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Change in Cash and Cash Equivalents
(In thousands)
(Unaudited)

	26 Weeks Ended June 27, 1998	26 Weeks Ended June 28, 1997
Cash flows from operating activities		
Cash received from customers	$ 3,654,945	$ 3,279,285
Cash paid for merchandise inventories	(2,639,377)	(2,360,515)
Cash paid for store and warehouse operating, selling and general and administrative expenses	(789,376)	(675,714)
Interest received	7,631	1,363
Interest paid	(1,822)	(1,955)
Income taxes paid	(60,017)	(47,260)
Net cash provided by operating activities	171,984	195,204
Cash flows from investing activities		
Capital expenditures, net	(58,054)	(39,474)
Net cash used in investing activities	(58,054)	(39,474)
Cash flows from financing activities		
Proceeds from exercise of stock options and sales of stock under employee stock purchase plan	17,278	5,117
Foreign currency translation adjustment	(2,033)	(1,117)
Payments on long- and short-term borrowings	(1,326)	(141,223)
Net cash provided by (used in) financing activities	13,919	(137,223)
Net increase in cash and cash equivalents	127,849	18,507
Cash and cash equivalents at beginning of period	199,637	51,398
Cash and cash equivalents at end of period	$ 327,486	$ 69,905
Reconciliation of net earnings to net cash provided by operating activities		
Net earnings	$ 101,537	$ 69,261
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	54,286	47,898
Provision for losses on inventory and accounts receivable	23,759	21,019
Accreted interest on zero coupon, convertible subordinated notes	9,281	9,027
Contributions of common stock to employee benefit and stock purchase plans	2,783	1,617
Changes in assets and liabilities		
Decrease in receivables	41,170	14,590
Decrease in merchandise inventories	93,807	153,311
Increase in prepaid expenses, deferred income taxes and other assets	(41,320)	(13,136)
Decrease in accounts payable, accrued expenses and deferred credits	(113,319)	(108,383)
Total adjustments	70,447	125,943
Net cash provided by operating activities	$ 171,984	$ 195,204

The accompanying notes are an integral part of these statements.

OFFICE DEPOT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The interim financial statements as of June 27, 1998 and for the 13 and 26 week periods ended June 27, 1998 and June 28, 1997 are unaudited; however, in the opinion of management, such interim statements reflect all adjustments (consisting only of normal recurring items) necessary for a fair presentation of the financial position, results of operations and cash flows of Office Depot, Inc. (the "Company") for the interim periods presented. Interim results are not necessarily indicative of the results to be expected for the full year. The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 27, 1997.

   The Company maintains licensing agreements for the operation of Office Depot stores in Colombia, Hungary, Israel and Poland and joint venture agreements to operate stores in Mexico, France, Thailand and Japan. In April 1998, the Company increased its ownership share in its Thailand joint venture from 20% to 80%. Accordingly, the Company's share of the Thailand joint venture's financial position, results of operations and cash flows have been included in the consolidated interim financial statements. All other joint ventures are accounted for using the equity method.

2. In September 1996, the Company entered into an agreement and plan of merger with Staples, Inc. ("Staples"). In June 1997, the proposed merger was blocked by a preliminary injunction granted by the Federal District Court at the request of the Federal Trade Commission. In July 1997, the Company and Staples announced that the merger agreement had been terminated. The Company recorded costs of $9,483,000 and $16,094,000, respectively, during the 13 and 26 week periods ended June 28, 1997 that were directly related to the terminated merger. These costs consisted primarily of legal fees, investment banker fees and personnel retention costs.

3. On May 18, 1998, the Company entered into an agreement and plan of merger with Viking Office Products, Inc. ("Viking"). Pursuant to the merger agreement, (i) VK Acquisition Corp., a wholly owned subsidiary of the Company, will be merged with and into Viking which, as the surviving corporation in the merger, will become a wholly owned subsidiary of the Company, and (ii) each issued and outstanding share of Viking common stock will be converted into one share of Office Depot common stock, subject to dissenters' rights, as defined by the California Commercial Code. Shares of Office Depot common stock outstanding on the effective date of the merger will remain outstanding and unaffected by the merger. The consummation of the merger is subject to several conditions, most of which have been met. A special meeting of Office Depot and Viking stockholders will be held on August 26, 1998 to vote on the merger.

The merger, if completed, will be accounted for as a pooling of interests. Accordingly, the Company's prior period consolidated financial statements will be restated and combined with the prior period consolidated financial statements of Viking, as if the merger had taken place at the beginning of the periods reported. The Company will expense all merger and integration costs as they are incurred.

Upon consummation of the merger, each outstanding option to purchase shares of Viking common stock will be converted into an option to purchase an equal number of shares of Office Depot common stock at an exercise price per share equal to the stated exercise price for the shares of Viking common stock. All Viking stock options outstanding as of May 18, 1998 will become exercisable in full for Office Depot shares upon consummation of the merger.

4. Basic earnings per common share is based upon the weighted average number of shares outstanding during each period. Diluted earnings per common share further assumes that the zero coupon, convertible subordinated notes were converted as of the beginning of the period and that dilutive stock options were exercised. Net earnings under this assumption have been adjusted for interest on the notes, net of the related income tax effect.

The following information was used to compute basic and diluted earnings per share:

(in thousands)	13 Weeks Ended June 27, 1998	13 Weeks Ended June 28, 1997	26 Weeks Ended June 27, 1998	26 Weeks Ended June 28, 1997
Basic:				
Weighted average number of common shares outstanding	159,137	157,583	158,820	157,471
Diluted:				
Net earnings	$ 45,714	$ 30,474	$101,537	$ 69,261
Interest expense related to convertible notes, net of tax	2,871	2,860	5,708	5,552
Adjusted net earnings	$ 48,585	$ 33,334	$107,245	$ 74,813
Weighted average number of common shares outstanding	159,137	157,583	158,820	157,471
Shares issued upon assumed conversion of convertible notes	16,553	16,565	16,558	16,565
Shares issued upon assumed exercise of stock options	5,338	1,281	4,772	1,609
Shares used in computing diluted earnings per common share	181,028	175,429	180,150	175,645

5. The Consolidated Statements of Cash Flows do not include the following non-cash investing and financing transactions:

	26 Weeks Ended June 27, 1998	26 Weeks Ended June 28, 1997
	(in thousands)	
Additional paid-in capital related to tax benefits on stock options exercised	$2,302	$ 957
Assets acquired under capital leases	8,292	--
Common stock issued upon conversion of debt	343	--

6. In June 1997, SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," was issued. SFAS No. 131 establishes standards for the way that companies report selected information about operating segments in annual financial statements and requires that such companies report selected information about segments in interim financial reports issued to stockholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS No. 131, which supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," retains the requirement to report information about major customers and requires that companies report financial and descriptive information about their reportable operating segments.

Operating segments are defined as those components of an enterprise about which separate financial information is regularly evaluated by the chief operating decision maker when allocating resources and assessing performance. SFAS No. 131 requires that companies report a measure of segment profit or loss, certain specific revenue and expense items, and segment assets. SFAS No. 131 also requires that companies report descriptive information about the manner in which the operating segments were determined, the products and services provided by the operating segments, differences between the measurements used in reporting segment information and those used in the enterprise's general-purpose financial statements, and changes in the measurement of segment amounts from period to period.

SFAS No. 131 is effective for financial statements issued for periods beginning after December 15, 1997, but is not required for interim financial statements in the initial year of its application. The Company has not yet determined the effects that SFAS No. 131 will have on the disclosures in its consolidated financial statements.

Item 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales increased 11% to $1.698 billion and $3.679 billion during the second quarter and first six months of 1998, respectively, from $1.532 billion and $3.304 billion during the comparable periods of 1997. Approximately one-third of the increase in sales for the second quarter and the first half of 1998 were attributed to the 55 new office supply stores opened subsequent to the second quarter of 1997. The remainder of the increase results from the 7% growth for the second quarter and 8% growth for the first six months of 1998 in comparable sales for stores and delivery warehouses ("delivery centers") open for more than one year at June 27, 1998. Sales of computers, business machines and related supplies continued to rise as a percentage of total sales in the second quarter and first six months of 1998 over the comparable 1997 periods, driven primarily by the sales of machine supplies. The average unit sales prices and comparable store sales of computers for the first six months of 1998 have decreased from the comparable period in 1997, while the number of units sold has increased.

The Company opened 18 office supply stores and closed one store in the first half of 1998, bringing the total number of office supply stores open at the end of the second quarter to 619, compared with 565 stores open at the end of the second quarter of 1997. During the second quarter, the Company substantially completed consolidation of four California delivery centers into two newer, larger facilities, reducing the number of delivery centers to 21 as of the end of the second quarter of 1998 from 23 at the end of the second quarter of 1997. In the past few years, the Company has replaced several of its other delivery centers with newer, larger facilities as well. The Company has substantially completed the integration and conversion of its contract stationer business and uses standard systems and procedures throughout its network of facilities. As of June 27, 1998, the Company also operated three Images(TM), two Office Depot Express(TM) and five Furniture At Work(TM) stores.

Gross profit as a percentage of sales was 24.9% and 24.0% during the second quarter and first half of 1998, respectively, as compared with 23.5% and 23.0% during the comparable periods of 1997. Gross profit as a percentage of sales continued to be positively impacted by purchasing leverage gained from vendor discount and rebate programs. Furthermore, the downward pressure on overall gross profit has lessened in the second quarter and first half of 1998 as compared to the comparable periods in 1997 because of improved margins on computers and a favorable shift in sales mix to business machine supplies, which yield much higher margins. These improvements in margin on computers, business machines and related supplies were partially offset by lower margins on paper products. The Company's gross profit as a percentage of sales fluctuates as a result of numerous factors, including competitive pricing pressures, changes in product and customer mix, suppliers pricing changes, as well as the Company's ability to achieve purchasing leverage through growth in total merchandise purchases. Additionally, occupancy costs can vary as the Company adds new stores and delivery centers.

Store and warehouse operating and selling expenses as a percentage of sales were 16.8% and 16.1% in the second quarter and first six months of 1998, respectively, as compared to 16.2% and 15.8% in the second quarter and first six months of 1997, respectively. The three largest components of store and warehouse operating and selling expenses are payroll, depreciation and advertising expenses. Store and warehouse operating and selling expenses as a percentage of sales are significantly higher in the Business Services Division than in the Stores Division principally because of the need for a more experienced and more highly compensated sales force. Management expects these expenses to decline from current levels as a percentage of sales if and when the Business Services Division, now fully integrated, generates additional sales in each market. Store and warehouse operating and selling expenses as a percentage of sales have increased overall in the Business Services Division for the second quarter and first half of 1998 as compared to the same periods in 1997 primarily because of the substantial completion of the consolidation of four delivery centers into two larger and newer facilities. Expenses in the Stores Division increased in the second quarter and first six months of 1998 over the comparable 1997 periods because of the completion of 129 store remodels in the first half of 1998. The increase in expenses is expected to continue as the Company plans to complete approximately 70 additional remodels by the end of 1998. Late in the fourth quarter of 1997, the Company launched a new advertising campaign, significantly increasing broadcast and cable television exposure. This campaign resulted in increased costs in both divisions during the first half of 1998.

Pre-opening expenses increased to $2.8 million in the second quarter of 1998 from $0.8 million in the comparable quarter of 1997 and increased to $4.0 million in the first half of 1998 from $1.6 million in the comparable 1997 period. The Company added 18 new office supply stores and closed one in the first half of 1998, 17 of which were added in the second quarter, as compared with five new and one replacement store in the comparable 1997 period, four of which were added in the second quarter of 1997. Prior year store openings were lower because of the uncertainty surrounding the merger with Staples, Inc. ("Staples"). Pre-opening expenses in the first half of 1998 also include costs incurred to significantly expand one delivery center and open another larger delivery center to replace two existing facilities, while pre-opening expenses in the second quarter of 1997 include costs associated with replacing one existing customer service center with a larger, more functional facility. Pre-opening expenses, which currently approximate $0.1 million per standard office supply store, are predominately incurred during a six-week period prior to the store opening. Pre-opening expenses for a new standard-sized delivery center are approximately $0.5 million and pre-opening expenses for a new larger-sized delivery center, such as the facilities opened in California during the first half of 1998, are approximately $1.0 million; however, these expenses may vary with the size and type of future customer service centers. These expenses consist principally of amounts paid for salaries and property expenses. Because the Company's policy is to expense these items during the period in which they occur, the amount of pre-opening expenses in each period is generally proportional to the number of new stores or delivery centers opened or in the process of being opened during the period.

General and administrative expenses were 3.0% of sales for the second quarters of 1998 and 1997, while these expenses increased as a percentage of sales to 2.9% for the first six months of 1998 from 2.8% for the first six months of 1997. In the first half of 1997, staffing issues associated with the Staples merger resulted, to some extent, in fewer corporate personnel. By the end of the first half of 1998, the Company had restaffed most of the corporate positions and had strengthened its management team with the addition of several new key executives. The Company's continuing commitment to improving the efficiency of its management information systems and expanding its information systems programming staff has increased general and administrative expenses in the short term. In addition, certain corporate expenses have increased in the first half of 1998 primarily because of management's involvement in the consolidation and integration of the Company's California delivery centers and in the store remodeling initiative. While the Company has been able to decrease other general and administrative expenses, there can be no assurance that the Company will be able to continue to increase sales without a proportionate increase in corporate expenditures.

In September 1996, the Company entered into an agreement and plan of merger with Staples. In June 1997, the proposed merger was blocked by a preliminary injunction granted by the Federal District Court at the request of the Federal Trade Commission. In July 1997, the Company and Staples announced that the merger agreement had been terminated. The Company recorded costs of $9.5 million and $16.1 million during the 13 week and 26 week periods ended June 27, 1998 that were directly related to the terminated merger. These costs consisted primarily of legal fees, investment banker fees and personnel retention costs.

On May 18, 1998, the Company entered into an agreement and plan of merger with Viking Office Products, Inc. ("Viking"). Pursuant to the merger agreement, (i) VK Acquisition Corp., a wholly owned subsidiary of the Company, will be merged with and into Viking which, as the surviving corporation in the merger, will become a wholly owned subsidiary of the Company, and (ii) each issued and outstanding share of Viking common stock will be converted into one share of Office Depot common stock, subject to dissenters' rights, as defined by the California Commercial Code. Shares of Office Depot common stock outstanding on the effective date of the merger will remain outstanding and unaffected by the merger. The consummation of the merger is subject to several conditions, most of which have been met. A special meeting of Office Depot and Viking stockholders will be held on August 26, 1998 to vote on the merger.

The merger, if completed, will be accounted for as a pooling of interests. Accordingly, the Company's prior period consolidated financial statements will be restated and combined with the prior period consolidated financial statements of Viking, as if the merger had taken place at the beginning of the periods reported. The Company will expense all merger and integration costs as they are incurred.

LIQUIDITY AND CAPITAL RESOURCES

Since the Company's inception in March 1986, it has relied upon equity capital, convertible debt, capital equipment leases and bank borrowings as the primary sources of its funds. Because the majority of the Company's store sales are on a cash and carry basis, cash flow generated from operating stores provides a source of liquidity to the Company. The Company also uses private label credit card programs administered and financed by financial services companies, which allow the Company to expand its store sales without the burden of additional receivables. Working capital requirements are reduced by vendor credit terms that allow the Company to finance a portion of its inventory.

Sales made to larger customers through the Company's contract business are generally made pursuant to regular commercial credit terms under which the Company carries its own receivables, as opposed to sales made to smaller customers, who generally pay in cash or by credit card. Therefore, as the Company expands its contract business, management anticipates that the Company's credit sales will continue to grow.

Receivables from vendors under rebate, cooperative advertising and marketing programs, which comprise a significant percentage of total receivables, tend to fluctuate seasonally, growing during the second half of the year and declining during the first half. Industry practice dictates that under such programs, a significant portion of the collections are made after an entire program year has been completed.

In the first six months of 1998, the Company added 18 and closed one office supply store, compared with five new and one replacement office supply store and one new Furniture at Work(TM) store added in the comparable period of 1997. In addition, the Company consolidated four delivery centers in its Business Services Division into two newer, larger facilities during the first six months of 1998, as compared to replacing one delivery center with a larger facility in 1997. Uncertainty and staffing issues associated with the Staples merger negatively affected the Company's store opening program during 1997 and continued to impact it through the first half of 1998. The Company has recently hired several real estate personnel and regained its store opening momentum.

Net cash provided by operating activities was $172 million in the first six months of 1998, compared with $195 million provided in the comparable 1997 period. This decrease was driven primarily by increased expenditures for the Company's store remodeling program and warehouse consolidations. Increases in contract and commercial sales from existing delivery centers also leverage assets employed and generate incremental working capital. Cash generated from operations is also affected by fluctuations in the levels of receivables and inventory. Capital expenditures are also affected by the number of stores and warehouses opened, replaced or remodeled each year as well as the increase in computer and other equipment at the corporate office required to support such expansion. Cash used for capital expenditures was $58 million in the first six months of 1998 and $39 million in the first six months of 1997.

During the 26 weeks ended June 27, 1998, the Company's cash balance increased by $128 million and long- and short-term debt decreased by almost $2 million, excluding $9 million in non-cash accretion of interest on the Company's zero coupon, convertible subordinated debt and $8 million in debt created by the acquisition of assets through capital leases.

The Company entered into a new credit agreement in February 1998 with a syndicate of banks which provides for a working capital line and letters of credit totaling $300 million. The new credit agreement replaced the Company's previous credit agreement and provides that funds borrowed bear interest, at the Company's option: at a rate based on a grid incorporating credit rating and fixed charge coverage ratio factors that currently would result in .18 % over LIBOR, at .5% over the Federal Funds rate, at a base rate linked to the prime rate, or at a rate determined under a competitive bid facility. The Company must also pay a facility fee at a rate based on a grid incorporating credit rating and fixed charge coverage ratio factors that currently would result in a .095% per annum charge on the total credit facility. The credit facility expires in February 2003. The credit agreement contains certain restrictive covenants relating to various financial statement ratios. As of June 27, 1998, the Company had no outstanding borrowings under the credit facility and had outstanding letters of credit totaling $9.5 million.

The Company currently plans to open approximately 70 additional stores in the second half of 1998. Management estimates that the Company's cash requirements, exclusive of pre-opening expenses, will be approximately $1.9 million for each additional office supply store, which includes an average of approximately $1.1 million for leasehold improvements, fixtures, point-of-sale terminals and other equipment in the stores, as well as approximately $0.8 million for the portion of the store inventory that is not financed by vendors. In addition, management estimates that each new store requires pre-opening expenses of approximately $0.1 million. The cash requirements for a delivery center, exclusive of pre-opening expenses, are significantly more than a store. Each new delivery center requires pre-opening expenses of approximately $0.5 million to $1.0 million depending on the size of the facility.

IMPACT OF THE YEAR 2000

The Company has undertaken a comprehensive review of all computer hardware and software and other operating equipment and systems to mitigate disruption of its business as a result of the Year 2000. The project has a dedicated organization, including outside consultants and suppliers, who have developed an overall scope, approach, methodology and communication plan. The organization's goal is to complete certification testing by the first quarter of 1999.

Many of the Company's computer systems have been developed over the past four years, and management believes that they are already Year 2000 compliant. Any required remediation for priority systems, defined as those systems that affect customer service and product availability or that are critical to continued operations, is scheduled for completion by the end of 1998. Additionally, the Company is reviewing the Year 2000 issue with its suppliers, shippers, customers and other external business partners. A survey developed to assess Year 2000 readiness was recently mailed to approximately 1,200 suppliers, and the dedicated Year 2000 organization will work with key suppliers to follow their progress and perform collaborative testing where appropriate.

The Company does not expect the costs associated with its Year 2000 compliance program to have a material effect on its financial position or its results of operations. There can be no assurance until 2000, however, that all of the Company's systems, and the systems of its suppliers, shippers, customers and other external business partners will function adequately. If any such systems are not Year 2000 compliant, it could have a material adverse effect on the Company.

NEW ACCOUNTING PRONOUNCEMENT

The Company will adopt the following Statement of Financial Accounting Standard ("SFAS") in the year ending December 26, 1998.

SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," establishes standards for reporting certain information about the Company's operating segments. These disclosures should include the reported segments' sales, operating profit, identifiable assets and other certain information. This Statement is effective for fiscal years beginning after December 15, 1997 and will require disclosure of prior period information, if practicable. This statement is not required to be applied to interim financial statements in the initial year of its application. The Company has not yet determined the impact of adopting this pronouncement on its financial statements.

FUTURE OPERATING RESULTS

With the exception of historical matters, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements that involve risks and uncertainties, including those discussed below. The factors discussed below could affect the Company's actual results and could cause the Company's actual results during the remainder of 1998 and beyond to differ materially from those expressed in any forward-looking statement made by the Company.

The Company currently plans to open approximately 70 additional stores in the second half of 1998. There can be no assurance that the Company will be able to find favorable store locations, negotiate favorable leases, hire and train employees and store managers, and integrate the new stores in a manner that will allow it to meet its expansion schedule. The failure to expand by opening new stores as planned could have a material adverse effect on the Company's future sales growth and profitability.

The Company competes with a variety of retailers, dealers and distributors in a highly competitive marketplace. High-volume office supply chains, mass merchandisers, warehouse clubs, computer stores and contract stationers that compete directly with the Company operate in most of its geographic markets. More recently, the Company began competing with internet-based merchandisers. This competition is expected to increase in the future as both the Company and these and other companies continue to expand their operations. There can be no assurance that such competition will not have an adverse effect on the Company's business in the future.

In addition, as the Company expands the number of its stores in existing markets, sales of existing stores may suffer. New stores typically require several months or longer to reach the levels of sales and profitability of the Company's existing stores, and there can be no assurance that new stores will ever be as profitable as existing stores because of competition from other store chains and the tendency of existing stores to share sales as the Company opens new stores in its more mature markets. The Company's comparable sales results are affected by a number of factors, including the opening of additional Office Depot stores; the expansion of the Company's contract stationer business in new and existing markets; competition from other office supply chains, mass merchandisers, warehouse clubs, computer stores and contract stationers; and regional and national economic conditions. In addition, the Company's gross margin and profitability could be adversely affected if its competitors were to attempt to capture market share by reducing prices.

Fluctuations in the Company's quarterly operating results have occurred in the past and may occur in the future. A variety of factors such as new store openings with their concurrent pre-opening expenses, the extent to which new stores are less profitable as they commence operations, the effect new stores have on the sales of existing stores in more mature markets, the pricing activity of competitors in the Company's markets, changes in the Company's product mix, increases and decreases in advertising and promotional expenses, the effects of seasonality, acquisitions of contract stationers and stores of competitors or other events could contribute to this quarter to quarter variability.

Costs related to the integration of acquired facilities in the Company's delivery business and the remodeling of stores have contributed to increased store and warehouse expenses, and these costs are expected to continue impacting store and warehouse expenses at decreasing levels through 1998. The failure to achieve the projected improvements in operating margins could result in a significant impact on the Company's net income in the future. Furthermore, the Company's growth, through both store openings and acquisitions, will continue to require the expansion and upgrading of the Company's operational and financial systems, as well as necessitate the hiring of new managers at the store and supervisory level.

On May 18, 1998, the Company entered into an agreement and plan of merger with Viking. Integrating the operations and management of Office Depot and Viking will be a complex process, and there can be no assurance that this integration will be completed rapidly or will result in the achievement of all of the anticipated synergies and other benefits expected to be realized for the merger. Moreover, the integration of the two companies will require significant management attention, which may temporarily distract management from its usual focus on the daily operations of their respective businesses. The ability of management to integrate successfully the operations of Office Depot and Viking, or any significant delay in achieving such integration, could have a material adverse effect on the business and operating results of the combined company.

The Company has entered a number of international markets using licensing and joint venture agreements. The Company intends to enter other international markets as attractive opportunities arise. In addition to the risks described above arising from the Company's domestic store and delivery operations, internationally, the Company also faces the risk of foreign currency fluctuations, political and social conditions, obtaining adequate and appropriate inventory and, because its foreign operations are not wholly-owned, compromised operating control in certain countries.

The Company believes that its current cash and cash equivalents, lease financing arrangements and funds available under its revolving credit facility should be sufficient to fund its planned expansion and other operating cash needs, including investments in international joint ventures, for at least the next twelve months. However, there can be no assurance that additional sources of financing will not be required during the next twelve months as a result of unanticipated cash demands or opportunities for expansion or acquisition, changes in growth strategy or adverse operating results. Also, alternative financing will be considered if market conditions make it financially attractive. There also can be no assurance that any additional funds required by the Company, whether within the next twelve months or thereafter, will be available to the Company on satisfactory terms.

PART II. OTHER INFORMATION

ITEMS 1 LEGAL PROCEEDINGS

On May 21, 1998, a Viking stockholder filed a purported class action complaint in Superior Court, State of California, County of Los Angeles for breach of fiduciary duties against Viking. The complaint also names Office Depot as a defendant, alleging that it aided and abetted Viking in the breach of its fiduciary duties. The complaint seeks an injunction against the merger and the certification as a class of all Viking stockholders.

The Company believes that this complaint is without merit and will aggressively defend against the suit and will continue to pursue the merger with Viking.

ITEMS 2 - 4 Not applicable.

ITEM 5 OTHER INFORMATION

Details of a special meeting of stockholders to be held on August 26, 1998 and the Joint Proxy Statement/Prospectus of Viking Office Products, Inc. and Office Depot, Inc. are incorporated by reference to the Company's Registration Statement on Form S-4 filed with the SEC on July 22, 1998.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

a. 27.1 Financial Data Schedule (for SEC use only)

b. A Current Report on Form 8-K was filed on May 21, 1998 regarding the proposed merger with Viking Office Products, Inc. and is incorporated by reference herein.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OFFICE DEPOT, INC.
(Registrant)

Date: August 11, 1998

By: /s/ BARRY J. GOLDSTEIN

Barry J. Goldstein
Executive Vice President-Finance
and Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION	PAGE NO.
27.1	Financial Data Schedule (for SEC use only)	

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF OFFICE DEPOT, INC. FOR THE QUARTER ENDED MARCH 28, 1998,
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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DEC-28-1997
JUN-27-1998
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