

**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 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.

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

	13 Weeks Ended		39 Weeks Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
<b>Net Income (Loss)</b>				
Net income (loss)	\$ 44	\$ 6	\$ 300	\$ (7)
Discontinued operations, net of tax	(286)	(36)	(324)	(67)
Net income (loss) from continuing operations	330	42	624	60
Add (Less):				
Charges and credits, after tax	(242)	49	(431)	127
Adjusted net income (loss) from continuing operations	<u>\$ 89</u>	<u>\$ 92</u>	<u>\$ 192</u>	<u>\$ 187</u>
EPS from continuing operations (most dilutive) - GAAP	\$ 0.61	\$ 0.08	\$ 1.13	\$ 0.11
Charges and credits, after tax	0.44	(0.09)	0.78	(0.23)
Adjusted EPS from continuing operations (most dilutive)	<u>\$ 0.16</u>	<u>\$ 0.17</u>	<u>\$ 0.35</u>	<u>\$ 0.34</u>
Weighted average shares used:				
Basic	535	548	545	546
Diluted	545	555	553	554
<u>Charges/Credits</u>				
Merger related expenses				
Severance, retention, and relocation	\$ -	\$ 4	\$ -	\$ 15
Transaction and integration	8	16	30	69
Facility closure, contract termination, and other costs, net	4	18	21	32
Merger related expenses	<u>12</u>	<u>38</u>	<u>51</u>	<u>116</u>
Staples Acquisition (income) expenses				
Retention	-	26	15	58
Transaction	4	15	43	30
Termination Fee	-	-	(250)	-
Staples Acquisition (income) expenses	<u>4</u>	<u>41</u>	<u>(192)</u>	<u>88</u>
Comprehensive Business Review				
Severance	9	-	13	-
Other related expenses	6	-	6	-
Comprehensive Business Review expenses	<u>15</u>	<u>-</u>	<u>19</u>	<u>-</u>
Total Merger, restructuring and other operating (income) expenses, net	31	79	(122)	204
Asset impairments	9	1	9	10
Loss on extinguishment of debt	15	-	15	-
Charges and credits, pretax	55	80	(98)	214
Tax expense (benefit) **	(297)	(31)	(333)	(87)
Charges and credits, after tax	<u>\$ (242)</u>	<u>\$ 49</u>	<u>\$ (431)</u>	<u>\$ 127</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.

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

	13 Weeks Ended		39 Weeks Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
<b>Operating Income (Loss)</b>				
Operating income (loss)	\$ 117	\$ 81	\$ 473	\$ 141
Add:				
Charges and credits, pretax *	40	80	(113)	214
Adjusted operating income (loss)	<u>\$ 158</u>	<u>\$ 161</u>	<u>\$ 360</u>	<u>\$ 355</u>
Sales	\$ 2,836	\$ 3,046	\$ 8,295	\$ 8,961
Operating income (loss) margin	4.1%	2.7%	5.7%	1.6%
Adjusted operating income (loss) margin	5.6%	5.3%	4.3%	4.0%

Note: Prior period amounts have been recast to remove discontinued operations

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 in Q3 and YTD 2016

The Company's outlook for 2016 and 2017 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 2016 and 2017.

**OFFICE DEPOT, INC.**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
**INCOME BEFORE INCOME TAXES / NET INCOME FROM CONTINUING OPERATIONS**  
(Dollars in millions)

	Q3 2016			Q3 2015		
	As Reported	Charges/C redits *	As Adjusted	As Reported	Charges/C redits *	As Adjusted
<b>Income before income taxes</b>						
Income (loss) before income taxes	\$ 90.0	\$ (55.0)	\$ 146	\$ 63.0	\$ (80.0)	\$ 144
Income tax expense (benefit)	(240)	(297)	57	21	(31)	52
Net income (loss) from continuing operations	<u>\$ 330</u>		<u>\$ 89.0</u>	<u>\$ 42.0</u>		<u>\$ 92.0</u>
Federal and state effective rate	39.0%		39.0%			
Valuation allowance impact on effective rate	-38.9%		0.0%			
Discrete Q3 valuation allowance impact	-266.7%		0.0%			
Effective tax rate	<u>-266.6%</u>		<u>39.0%</u>			

\* See components of Charges/Credits and tax impacts on Net income reconciliation page.

The Company has released a majority of its 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 in the first quarter of 2015 because of cumulative income on a non-GAAP basis. The GAAP and non-GAAP tax provisions consider income and expense items relevant to the separate stand-alone calculations.

Amounts may not foot due to rounding

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

	<u>26 Weeks Ended</u>	<u>26 Weeks Ended</u>
	<u>June 25, 2016</u>	<u>June 27, 2015</u>
<b>Operating Income (Loss)</b>		
Operating income (loss)	\$ 356	\$ 60
Add:		
Merger-related expenses		
Severance, retention, and relocation	-	11
Transaction and integration	22	53
Facility closure, contract termination, and other costs, net	17	15
Total Merger-related expenses	<u>39</u>	<u>79</u>
Staples Acquisition (income) expenses		
Retention	15	32
Transaction	38	14
Termination Fee	(250)	-
Total Staples Acquisition (income) expenses	<u>(197)</u>	<u>46</u>
Comprehensive Business Review		
Severance	4	-
Other related expenses	-	-
Total Comprehensive Business Review expenses	<u>4</u>	<u>-</u>
Total Merger, restructuring and other operating (income) expenses, net	<u>(154)</u>	<u>125</u>
Asset impairment	-	9
Charges and credits, pretax	(154)	134
Adjusted operating income (loss)	<u>\$ 202</u>	<u>\$ 194</u>
Sales	\$ 5,459	\$ 5,915
Operating income (loss) margin	6.5%	1.0%
Adjusted operating income (loss) margin	3.7%	3.3%

Note: Prior period amounts have been recast to remove discontinued operations  
Amounts may not foot due to rounding

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

	<u>13 Weeks Ended</u>	<u>52 Weeks Ended</u>
	<u>December 26, 2015</u>	<u>December 26, 2015</u>
<b>Operating Income (Loss)</b>		
Operating income (loss)	\$ 42	\$ 183
Add:		
Merger-related expenses		
Severance, retention, and relocation	-	15
Transaction and integration	12	81
Facility closure, contract termination, and other costs, net	12	44
Total Merger-related expenses	<u>24</u>	<u>140</u>
Staples Acquisition (income) expenses		
Retention	7	65
Transaction	7	37
Total Staples Acquisition (income) expenses	<u>14</u>	<u>102</u>
Total Merger, restructuring and other operating (income) expenses, net	<u>38</u>	<u>242</u>
Asset impairment	3	13
Charges and credits, pretax	41	255
Adjusted operating income (loss)	<u>\$ 83</u>	<u>\$ 438</u>
Sales	\$ 2,767	\$ 11,727
Operating income (loss) margin	1.5%	1.6%
Adjusted operating income (loss) margin	3.0%	3.7%

Note: Prior period amounts have been recast to remove discontinued operations  
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		39 Weeks Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
<b>Cash Flow Summary</b>				
Net cash provided by (used in) operating activities of continuing operations	\$ 199	\$ 177	\$ 447	\$ 61
Net cash provided by (used in) investing activities of continuing operations	(25)	(24)	(57)	(55)
Net cash provided by (used in) financing activities of continuing operations	(338)	(6)	(404)	(18)
Net cash provided by (used in) operating activities of discontinued operations	(12)	(41)	(113)	(61)
Net cash provided by (used in) investing activities of discontinued operations	(2)	(4)	(4)	(12)
Net cash provided by (used in) financing activities of discontinued operations	2	(3)	3	1
Effect of exchange rate changes on cash and cash equivalents	1	(8)	2	(29)
Net increase (decrease) in cash and cash equivalents	<u>\$ (175)</u>	<u>\$ 91</u>	<u>\$ (126)</u>	<u>\$ (113)</u>
<b>Free Cash Flow</b>				
Net cash provided by (used in) operating activities of continuing operations	\$ 199	\$ 177	\$ 447	\$ 61
Less: Capital expenditures	26	47	71	109
Free Cash Flow of continuing operations	<u>\$ 173</u>	<u>\$ 130</u>	<u>\$ 376</u>	<u>\$ (48)</u>

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

<b>Sales Factors Impacting Comparability</b>	<b>13 Weeks Ended September 24, 2016</b>	<b>39 Weeks Ended September 24, 2016</b>
Reported (GAAP) sales decline	-7%	-7%
Exclusion of foreign currency translation impact	0%	0%
Exclusion of sales associated with U.S. store closure impacts	-3%	-3%
Adjusted Sales decline excluding impact from foreign currency translation, and U.S. retail store closures	<u>-4%</u>	<u>-4%</u>

Note: Amounts may not foot due to rounding.