

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 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 2017.

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

| | 14 Weeks Ended December 31, 2016 | 13 Weeks Ended December 26, 2015 | 53 Weeks Ended December 31, 2016 | 52 Weeks Ended December 26, 2015 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Net Income (Loss) | | | | |
| Net income (loss) | \$ 80 | \$ 15 | \$ 529 | \$ 8 |
| Discontinued operations, net of tax | 25 | (16) | (150) | (84) |
| Net income (loss) from continuing operations | 55 | 31 | 679 | 92 |
| Add (Less): | | | | |
| Charges and credits, after tax | 5 | 4 | (427) | 131 |
| Adjusted net income (loss) from continuing operations | <u>\$ 59</u> | <u>\$ 35</u> | <u>\$ 251</u> | <u>\$ 222</u> |
| EPS from continuing operations (most dilutive) - GAAP | \$ 0.10 | \$ 0.06 | \$ 1.24 | \$ 0.16 |
| Charges and credits, after tax | (0.01) | (0.01) | 0.78 | (0.24) |
| Adjusted EPS from continuing operations (most dilutive) | <u>\$ 0.11</u> | <u>\$ 0.06</u> | <u>\$ 0.46</u> | <u>\$ 0.40</u> |
| Weighted average shares used: | | | | |
| Basic | 520 | 548 | 539 | 547 |
| Diluted | 535 | 555 | 549 | 555 |
| Charges/Credits | | | | |
| Merger related expenses | | | | |
| Severance, retention, and relocation | \$ - | \$ - | \$ - | \$ 15 |
| Transaction and integration | 7 | 12 | 37 | 81 |
| Facility closure, contract termination, and other costs, net | 6 | 12 | 27 | 44 |
| Merger related expenses | <u>13</u> | <u>24</u> | <u>64</u> | <u>140</u> |
| Staples Acquisition (income) expenses | | | | |
| Retention | - | 7 | 15 | 65 |
| Transaction | - | 7 | 43 | 37 |
| Termination Fee | - | - | (250) | - |
| Staples Acquisition (income) expenses | <u>-</u> | <u>14</u> | <u>(192)</u> | <u>102</u> |
| Comprehensive Business Review | | | | |
| Severance | 9 | - | 22 | - |
| Other related expenses | 21 | - | 26 | - |
| Comprehensive Business Review expenses | <u>30</u> | <u>-</u> | <u>48</u> | <u>-</u> |
| Total Merger, restructuring and other operating (income) expenses, net | <u>43</u> | <u>38</u> | <u>(80)</u> | <u>242</u> |
| Selling, general, and administrative expenses - Executive transition costs | 6 | - | 6 | - |
| Asset impairments | 6 | 3 | 15 | 13 |
| Loss on extinguishment of debt | - | - | 15 | - |
| Charges and credits, pretax | 55 | 41 | (44) | 255 |
| Tax expense (benefit) ** | (50) | (37) | (383) | (124) |
| Charges and credits, after tax | <u>\$ 5</u> | <u>\$ 4</u> | <u>\$ (427)</u> | <u>\$ 131</u> |

* Amounts may not foot due to rounding.

** The Company released deferred tax asset valuation allowances in the US for GAAP purposes in 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 (LOSS)
(Dollars in millions)

| | <u>14 Weeks Ended December 31, 2016</u> | <u>13 Weeks Ended December 26, 2015</u> | <u>53 Weeks Ended December 31, 2016</u> | <u>52 Weeks Ended December 26, 2015</u> |
|---|---|---|---|---|
| Operating Income (Loss) | | | | |
| Operating income (loss) | \$ 57 | \$ 42 | \$ 531 | \$ 183 |
| Add: | | | | |
| Charges and credits, pretax * | 55 | 41 | (59) | 255 |
| Adjusted operating income (loss) | <u>\$ 111</u> | <u>\$ 83</u> | <u>\$ 471</u> | <u>\$ 438</u> |
| Sales | \$ 2,725 | \$ 2,767 | \$ 11,021 | \$ 11,727 |
| Operating income (loss) margin | 2.1% | 1.5% | 4.8% | 1.6% |
| Adjusted operating income (loss) margin | 4.1% | 3.0% | 4.3% | 3.7% |

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 2016.

The Company's outlook for 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 2017.

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

| | <u>52 Weeks Ended</u> | <u>52 Weeks Ended</u> |
|--|--------------------------|--------------------------|
| | <u>December 27, 2014</u> | <u>December 28, 2013</u> |
| Operating Income (Loss) | | |
| Operating income (loss) | \$ (228) | \$ (176) |
| Add: | | |
| Merger-related expenses | | |
| Severance, retention, and relocation | 148 | 91 |
| Transaction and integration | 124 | 80 |
| Facility closure, contract termination, and other costs, net | 62 | 8 |
| Total Merger, restructuring and other operating (income) expenses, net | <u>334</u> | <u>179</u> |
| Asset impairment | 56 | 26 |
| Legal accrual | 81 | - |
| Charges and credits, pretax | <u>471</u> | <u>205</u> |
| Adjusted operating income (loss) | <u>\$ 243</u> | <u>\$ 29</u> |
| Sales | \$ 12,710 | \$ 8,246 |
| Operating income (loss) margin | -1.8% | -2.1% |
| Adjusted operating income (loss) margin | 1.9% | 0.4% |

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.

| | 14 Weeks Ended December 31, 2016 | 13 Weeks Ended December 26, 2015 | 53 Weeks Ended December 31, 2016 | 52 Weeks Ended December 26, 2015 |
|--|---|---|---|---|
| Cash Flow Summary | | | | |
| Net cash provided by (used in) operating activities of continuing operations | \$ 46 | \$ 76 | \$ 492 | \$ 138 |
| Net cash provided by (used in) investing activities of continuing operations | (27) | (2) | (84) | (58) |
| Net cash provided by (used in) financing activities of continuing operations | (70) | (8) | (475) | (26) |
| Net cash provided by (used in) operating activities of discontinued operations | (10) | 50 | (122) | (12) |
| Net cash provided by (used in) investing activities of discontinued operations | (65) | (4) | (70) | (16) |
| Net cash provided by (used in) financing activities of discontinued operations | 1 | - | 5 | 1 |
| Effect of exchange rate changes on cash and cash equivalents | (10) | - | (8) | (29) |
| Net increase (decrease) in cash and cash equivalents | <u>\$ (135)</u> | <u>\$ 112</u> | <u>\$ (262)</u> | <u>\$ (2)</u> |
| Free Cash Flow | | | | |
| Net cash provided by (used in) operating activities of continuing operations | \$ 46 | \$ 76 | \$ 492 | \$ 138 |
| Less: Capital expenditures | 40 | 35 | 111 | 144 |
| Free Cash Flow of continuing operations | <u>\$ 6</u> | <u>\$ 41</u> | <u>\$ 381</u> | <u>\$ (6)</u> |

Amounts may not foot due to rounding.

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

| Sales Factors Impacting Comparability | 14 Weeks Ended December 31, 2016 | 53 Weeks Ended December 31, 2016 |
|--|---|---|
| Reported (GAAP) sales decline | -2% | -6% |
| Add: Sales impact of foreign currency translation | 0% | 0% |
| Add: Sales impact associated with U.S. store closures | 3% | 3% |
| Less: Sales benefit from 53rd week | -5% | -1% |
| Adjusted sales decline (excluding impact from foreign currency translation, U.S. retail store closures, and 53rd week) | -4% | -4% |

Note: Amounts may not foot due to rounding.

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

| | Reported (GAAP) | % Sales | Less Charges & Credits | Adjusted Non-GAAP | % Sales |
|--|--------------------|------------|------------------------------|----------------------|------------|
| Q1 2016 | | | | | |
| Selling, general and administrative expenses | 590 | 20.5% | - | 590 | 20.5% |
| Asset impairments | - | -- | - | - | -- |
| Merger, restructuring and other operating (income) expenses, net | 40 | 1.4% | 40 | - | -- |
| Operating income (loss) | 85 | 3.0% | (40) | 124 | 4.3% |
| Income tax expense (benefit) | 8 | 0.3% | (32) | 39 | 1.4% |
| Net income (loss) from continuing operations | 62 | 2.2% | (7) | 69 | 2.4% |
| Earnings (loss) per share continuing operations - diluted | 0.11 | | (0.01) | 0.12 | |
| Q2 2016 | | | | | |
| Selling, general and administrative expenses | 535 | 20.7% | - | 535 | 20.7% |
| Asset impairments | - | -- | - | - | -- |
| Merger, restructuring and other operating (income) expenses, net | (193) | (7.5)% | (193) | - | -- |
| Operating income (loss) | 271 | 10.5% | 193 | 78 | 3.0% |
| Income tax expense (benefit) | 22 | 0.8% | (4) | 26 | 1.0% |
| Net income (loss) from continuing operations | 232 | 9.0% | 197 | 35 | 1.4% |
| Earnings (loss) per share continuing operations - diluted | 0.41 | | 0.35 | 0.06 | |
| Q3 2016 | | | | | |
| Selling, general and administrative expenses | 569 | 20.1% | - | 569 | 20.1% |
| Asset impairments | 9 | 0.3% | 9 | - | -- |
| Merger, restructuring and other operating (income) expenses, net | 31 | 1.1% | 31 | - | -- |
| Operating income (loss) | 117 | 4.1% | (40) | 158 | 5.6% |
| Loss on extinguishment of debt | 15 | 0.5% | 15 | - | -- |
| Income tax expense (benefit) | (240) | (8.5)% | (297) | 57 | 2.0% |
| Net income (loss) from continuing operations | 330 | 11.6% | 242 | 89 | 3.1% |
| Earnings (loss) per share continuing operations - diluted | 0.61 | | 0.44 | 0.16 | |
| Q4 2016 | | | | | |
| Selling, general and administrative expenses | 547 | 20.1% | 6 | 541 | 19.9% |
| Asset impairments | 6 | 0.2% | 6 | - | -- |
| Merger, restructuring and other operating (income) expenses, net | 43 | 1.6% | 43 | - | -- |
| Operating income (loss) | 57 | 2.1% | (55) | 111 | 4.1% |
| Income tax expense (benefit) | (9) | (0.3)% | (50) | 41 | 1.5% |
| Net income (loss) from continuing operations | 55 | 2.0% | (5) | 59 | 2.2% |
| Earnings (loss) per share continuing operations - diluted | 0.10 | | (0.01) | 0.11 | |
| 2016 | | | | | |
| Selling, general and administrative expenses | 2,242 | 20.3% | 6 | 2,236 | 20.3% |
| Asset impairments | 15 | 0.1% | 15 | - | -- |
| Merger, restructuring and other operating (income) expenses, net | (80) | (0.7)% | (80) | - | -- |
| Operating income (loss) | 531 | 4.8% | 59 | 471 | 4.3% |
| Loss on extinguishment of debt | 15 | 0.5% | 15 | - | -- |
| Income tax expense (benefit) | (220) | (2.0)% | (383) | 163 | 1.5% |
| Net income (loss) from continuing operations | 679 | 6.2% | 427 | 251 | 2.3% |
| Earnings (loss) per share continuing operations - diluted | 1.24 | | 0.78 | 0.46 | |

* 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 and other costs, Staples acquisition, significant asset impairments, and the related tax impacts of such items. 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.

Note: Amounts may not foot due to rounding.

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

| | Reported (GAAP) | % Sales | Less Charges & Credits | Adjusted Non-GAAP | % Sales |
|--|--------------------|------------|------------------------------|----------------------|------------|
| Q1 2015 | | | | | |
| Selling, general and administrative expenses | 639 | 20.4% | - | 639 | 20.4% |
| Asset impairments | 5 | 0.2% | 5 | - | -- |
| Merger, restructuring and other operating (income) expenses, net | 29 | 0.9% | 29 | - | -- |
| Operating income (loss) | 88 | 2.8% | (34) | 122 | 3.9% |
| Income tax expense (benefit) | 20 | 0.6% | (22) | 41 | 1.3% |
| Net income (loss) from continuing operations | 49 | 1.6% | (12) | 61 | 2.0% |
| Earnings (loss) per share continuing operations - diluted | 0.09 | | (0.02) | 0.11 | |
| Q2 2015 | | | | | |
| Selling, general and administrative expenses | 586 | 21.0% | - | 586 | 21.0% |
| Asset impairments | 4 | 0.1% | 4 | - | -- |
| Merger, restructuring and other operating (income) expenses, net | 96 | 3.4% | 96 | - | -- |
| Operating income (loss) | (27) | (1.0)% | (100) | 73 | 2.6% |
| Income tax expense (benefit) | (13) | (0.5)% | (34) | 21 | 0.8% |
| Net income (loss) from continuing operations | (31) | (1.1)% | (66) | 34 | 1.2% |
| Earnings (loss) per share continuing operations - diluted | (0.06) | | (0.12) | 0.06 | |
| Q3 2015 | | | | | |
| Selling, general and administrative expenses | 626 | 20.6% | - | 626 | 20.6% |
| Asset impairments | 1 | 0.0% | 1 | - | -- |
| Merger, restructuring and other operating (income) expenses, net | 79 | 2.6% | 79 | - | -- |
| Operating income (loss) | 81 | 2.7% | (80) | 161 | 5.3% |
| Income tax expense (benefit) | 21 | 0.7% | (31) | 52 | 1.7% |
| Net income (loss) from continuing operations | 42 | 1.4% | (49) | 92 | 3.0% |
| Earnings (loss) per share continuing operations - diluted | 0.08 | | (0.09) | 0.17 | |
| Q4 2015 | | | | | |
| Selling, general and administrative expenses | 573 | 20.7% | - | 573 | 20.7% |
| Asset impairments | 3 | 0.1% | 3 | - | -- |
| Merger, restructuring and other operating (income) expenses, net | 38 | 1.4% | 38 | - | -- |
| Operating income (loss) | 42 | 1.5% | (41) | 83 | 3.0% |
| Income tax expense (benefit) | (5) | (0.2)% | (37) | 32 | 1.2% |
| Net income (loss) from continuing operations | 31 | 1.1% | (4) | 35 | 1.3% |
| Earnings (loss) per share continuing operations - diluted | 0.06 | | 0.01 | 0.06 | |
| 2015 | | | | | |
| Selling, general and administrative expenses | 2,425 | 20.7% | - | 2,425 | 20.7% |
| Asset impairments | 13 | 0.1% | 13 | - | -- |
| Merger, restructuring and other operating (income) expenses, net | 242 | 2.1% | 242 | - | -- |
| Operating income (loss) | 183 | 1.6% | (255) | 438 | 3.7% |
| Income tax expense (benefit) | 23 | 0.2% | (124) | 147 | 1.3% |
| Net income (loss) from continuing operations | 92 | 0.8% | (131) | 222 | 1.9% |
| Earnings (loss) per share continuing operations - diluted | 0.16 | | (0.24) | 0.40 | |

* 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 and other costs, Staples acquisition, significant asset impairments, and the related tax impacts of such items. 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.

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