

STAPLES, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP Income Statement Disclosures
(Dollar Amounts in Millions, Except Per Share Data)
(Unaudited)

For the non-GAAP measures related to results of operations, reconciliations to the most directly comparable GAAP measures are shown below:

	13 Weeks Ended								Non-GAAP	
	July 30, 2016									
GAAP	Impairment of goodwill and long-lived assets	Merger-related costs	Loss on sale of businesses and assets, net	Litigation	Costs related to restructuring and strategic plans					
Gross Profit	\$ 1,192	\$ —	\$ —	\$ —	\$ —	\$ 4				
Operating (loss) income	\$ (825)	\$ 660	\$ 250	\$ 16	\$ 16	\$ 11				
Interest and other expense, net	13	—	(7)	—	—	—				
Loss on early extinguishment of debt	26	—	(26)	—	—	—				
(Loss) income before income taxes	(864)									
Income tax (benefit) expense	(98)									
Adjustments	—									
Adjusted income tax (benefit) expense	(98)									
Net (loss) income	\$ (766)									
Effective tax rate	11.3%									
(Loss) income per common share:										
Basic earnings per common share	\$ (1.18)									
Diluted earnings per common share	\$ (1.18)									
Weighted average common shares outstanding	648									
Effect of dilutive securities	—									
Weighted average common shares outstanding assuming dilution	648									

26 Weeks Ended

July 30, 2016

	GAAP	Impairment of goodwill and long-lived assets	Merger-related costs	Loss on sale of businesses and assets, net	Litigation	Costs related to restructuring and strategic plans	Non-GAAP
Gross profit	\$ 2,480	\$ —	\$ —	\$ —	\$ —	\$ 4	\$ 2,484
Operating (loss) income	\$ (717)	\$ 660	\$ 274	\$ 49	\$ 16	\$ 21	\$ 303
Interest and other expense, net	50	—	(37)	—	—	—	13
Loss on early extinguishment of debt	26	—	(26)	—	—	—	—
(Loss) income before income taxes	(793)						290
Income tax (benefit) expense	(68)						(68)
Adjustments	—						171
Adjusted income tax (benefit) expense	(68)						103
Net (loss) income	<u>\$ (725)</u>						<u>\$ 187</u>
Effective tax rate	8.6%						35.5%
(Loss) income per common share:							
Basic earnings per common share	\$ (1.12)						\$ 0.29
Diluted earnings per common share	\$ (1.12)						\$ 0.29
Weighted average common shares outstanding	647						647
Effect of dilutive securities	—						4
Weighted average common shares outstanding assuming dilution.	<u>647</u>						<u>651</u>

	13 Weeks Ended					
	August 1, 2015					
	GAAP	Restructuring charges	Impairment of long lived assets & accelerated depreciation	Merger- related costs	Non-GAAP	
Operating income	\$ 92	\$ 23	\$ 1	\$ 10	126	
Interest and other expense, net	36	—	—	24	12	
Income before income taxes	56				114	
Income tax expense	20				20	
Adjustments	—				18	
Adjusted income tax expense	20				38	
Net income	\$ 36				\$ 76	
Effective tax rate	35.4%				33.5%	
Diluted earnings per common share	\$ 0.06				\$ 0.12	

	26 Weeks Ended					
	August 1, 2015					
	GAAP	Restructuring charges	Impairment of long-lived assets & accelerated depreciation	Gain on sale of assets, net	Merger- related costs	Non-GAAP
Operating income	\$ 190	\$ 64	\$ 28	\$ (3)	20	299
Interest and other expense, net	50	—	—	—	28	22
Income before income taxes	140					277
Income tax expense	45					45
Adjustments	—					48
Adjusted income tax expense	45					93
Net income	\$ 95					\$ 184
Effective tax rate	32.2%					33.5%
Diluted earnings per common share	\$ 0.15					\$ 0.28

Note that certain percentage figures shown in the tables above may not recalculate due to rounding.