

**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) \*

	13 Weeks Ended	
	April 1, 2017	March 26, 2016
<b>Net Income (Loss)</b>		
Net income (loss)	\$ 116	\$ 46
Discontinued operations, net of tax	42	(16)
Net income (loss) from continuing operations	74	62
Add (Less):		
Charges and credits, after tax	14	7
Adjusted net income (loss) from continuing operations	<u>\$ 88</u>	<u>\$ 69</u>
EPS from continuing operations (most dilutive) - GAAP	\$ 0.14	\$ 0.11
Charges and credits, after tax	(0.03)	(0.01)
Adjusted EPS from continuing operations (most dilutive)	<u>\$ 0.16</u>	<u>\$ 0.12</u>
Weighted average shares used:		
Basic	515	549
Diluted	532	555
<u>Charges/Credits</u>		
Merger related expenses		
Severance, retention, and relocation	\$ -	\$ 1
Transaction and integration	6	11
Facility closure, contract termination, and other expenses, net	4	2
Merger related expenses	<u>10</u>	<u>14</u>
Staples Acquisition expenses		
Retention	-	2
Transaction	-	20
Staples Acquisition expenses	<u>-</u>	<u>22</u>
Comprehensive Business Review and Other Restructuring expenses		
Severance	9	3
Facility closure, contract termination, professional fees and other expenses, net	1	-
Comprehensive Business Review and Other Restructuring expenses	<u>10</u>	<u>3</u>
Total Merger, restructuring and other operating expenses, net	<u>20</u>	<u>39</u>
Selling, general, and administrative expenses - Executive transition costs	<u>4</u>	<u>-</u>
Charges and credits, pretax	24	39
Tax expense (benefit) **	(10)	(32)
Charges and credits, after tax	<u>\$ 14</u>	<u>\$ 7</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. 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.**  
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**OPERATING INCOME (LOSS)**  
(Dollars in millions)

	13 Weeks Ended	
	April 1, 2017	March 26, 2016
<b>Operating Income (Loss)</b>		
Operating income (loss)	\$ 127	\$ 85
Add:		
Charges and credits, pretax	24	39
Adjusted operating income (loss)	<u>\$ 151</u>	<u>\$ 124</u>
Sales	\$ 2,676	\$ 2,876
Operating income (loss) margin	4.7%	3.0%
Adjusted operating income (loss) margin	5.6%	4.3%

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

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**  
**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.

	<b>13 Weeks Ended</b>	
	<b>April 1, 2017</b>	<b>March 26, 2016</b>
<b>Cash Flow Summary</b>		
Net cash provided by (used in) operating activities of continuing operations	\$ 88	\$ (67)
Net cash provided by (used in) investing activities of continuing operations	(22)	(23)
Net cash provided by (used in) financing activities of continuing operations	(38)	(26)
Net cash provided by (used in) operating activities of discontinued operations	14	(72)
Net cash provided by (used in) investing activities of discontinued operations	(49)	(2)
Net cash provided by (used in) financing activities of discontinued operations	-	-
Effect of exchange rate changes on cash and cash equivalents	2	-
Net increase (decrease) in cash and cash equivalents	<u>\$ (5)</u>	<u>\$ (190)</u>
<b>Free Cash Flow</b>		
Net cash provided by (used in) operating activities of continuing operations	\$ 88	\$ (67)
Less: Capital expenditures	30	24
Free Cash Flow of continuing operations	<u>\$ 58</u>	<u>\$ (91)</u>

Amounts may not foot due to rounding.

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**Sales Comparability Adjustments**

<b>Sales Factors Impacting Comparability</b>	<b>13 Weeks Ended April 1, 2017</b>
Reported (GAAP) sales decline	-7%
Add: Sales impact of foreign currency translation	0%
Add: Sales impact associated with U.S. store closures	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.