

**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 for the second quarter of 2017 and second quarter of 2016 (amounts in millions, except per share data):

	<b>13 Weeks Ended</b>		
	<b>July 29, 2017</b>		
	<b>GAAP</b>	<b>Adjustments<sup>1</sup></b>	<b>Non-GAAP</b>
Operating income	\$ 106	\$ 10	\$ 116
Interest and other expense, net	4	—	4
Income before income taxes	102		112
Income tax expense	39		39
Adjustments <sup>2</sup>	—		(3)
Adjusted income tax expense	39		36
Income from continuing operations	\$ 63		\$ 76
Effective tax rate	38.0%		32.0%
Income from continuing operations per share:			
Diluted earnings per common share	\$ 0.10		\$ 0.12

1. Includes \$13 million of costs related to our strategic initiatives (\$11 million of which is included in Selling, general and administrative expenses and \$2 million of which is included in Restructuring charges) and \$1 million for impairment of long-lived assets, partly offset by a \$4 million gain on the sale of property and equipment.
2. Includes \$5 million of non-cash income tax expense related to the impact of tax deficiencies associated with share-based payment awards, and which relates to the adoption of a new accounting pronouncement in the first quarter of 2017 that was not applied retrospectively. This expense was partly offset by \$2 million of income tax benefit associated with the adjustments referred to in footnote 1.

	26 Weeks Ended		
	July 29, 2017		
	GAAP	Adjustments <sup>1</sup>	Non-GAAP
Operating income	\$ 270	\$ 18	\$ 288
Interest and other expense, net	10	—	10
Income from continuing operations before income taxes	260		278
Income tax expense	92		92
Adjustments <sup>2</sup>	—		(3)
Adjusted income tax expense	92		89
Income from continuing operations	<u>\$ 168</u>		<u>\$ 189</u>
Effective tax rate	35.3%		32.0%
Income from continuing operations per common share:			
Diluted earnings per common share	\$ 0.26		\$ 0.29

1. Includes \$18 million of costs related to our strategic initiatives (\$12 million of which is included in Selling, general and administrative expenses and \$6 million of which is included in Restructuring charges) and \$3 million for impairment of long-lived assets offset by a net \$3 million gain on the sale of property and equipment.
2. Includes \$8 million of non-cash income tax expense related to the impact of tax deficiencies associated with share-based payment awards, and which relates to the adoption of a new accounting pronouncement in the first quarter of 2017 that was not applied retrospectively. This expense was partly offset by \$5 million of income tax benefit associated with the adjustments referred to in footnote 1.

## 13 Weeks Ended

July 30, 2016

	GAAP	Impairment of 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	\$ 1,025	\$ —	\$ —	\$ —	\$ —	\$ 4	\$ 1,029
Operating (loss) income	(167)	15	250	16	16	6	136
Interest and other expense, net	12	—	(7)	—	—	—	5
Loss on early extinguishment of debt	26	—	(26)	—	—	—	—
(Loss) income before income taxes	(205)						131
Income tax benefit	(98)						(98)
Adjustments	—						142
Adjusted income tax (benefit) expense	(98)						44
Loss (income) from continuing operations	\$ (107)						\$ 87
Effective tax rate	47.8%						33.1%
Income from continuing operations per common share:							
Diluted earnings per common share	\$ (0.17)						\$ 0.13

## 26 Weeks Ended

July 30, 2016

	GAAP	Impairment of 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	\$ 2,137	\$ —	\$ —	\$ —	\$ —	\$ 4	\$ 2,141
Operating (loss) income	(45)	15	272	49	16	17	324
Interest and other expense, net	49	—	(37)	—	—	—	12
Loss on early extinguishment of debt	26	—	(26)	—	—	—	—
(Loss) income before income taxes	(120)						312
Income tax benefit	(73)						(73)
Adjustments	—						177
Adjusted income tax (benefit) expense	(73)						104
Loss (income) from continuing operations	\$ (47)						\$ 208
Effective tax rate	60.6%						33.1%
Income from continuing operations per common share:							
Diluted earnings per common share	\$ (0.07)						\$ 0.32

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