Second Quarter 2014 Results

August 5, 2014

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Roland Smith

Chairman and Chief Executive Officer

Second Quarter 2014 Highlights

- **Strong 2nd Quarter Performance**
  - ✓ Accelerated synergy realization
  - ✓ Adjusted operating income[1] of $18 million vs. $(6) million operating loss pro forma Q2 2013
- **Raising 2014 Adjusted Operating Income[1] Outlook**
  - ✓ Anticipate full-year adjusted operating income of at least $200 million
  - ✓ Accelerated synergy realization and improved operational execution
- **Finalized Analysis to Optimize U.S. Retail Store Portfolio**
  - ✓ Expect to close at least 400 stores, including approximately 165 in 2014
  - ✓ Increased expectation of at least $100 million of additional annual run-rate synergies by end of 2016
- **Raising Merger Synergies Annual Run-Rate Outlook to More Than $700 million by the end of 2016**

[1] Non-GAAP number. Excludes special items. A reconciliation of GAAP to non-GAAP numbers can be found at investor.officedepot.com

2014 Critical Priorities

2014 Annual Operating Plan

Productivity & Efficiency

- Synergies & Efficiencies
- Retail Footprint
- IT Platform
- Common Assortment
- Marketing Platform
- Supply Chain Approach

Strategy & Growth

- Improve Profit Margins
- Unique Selling Proposition
- Vision & Strategy

Lean & Effective Organization

Culture & Values

Office DEPOT | Max

New Leadership Appointment

Mark Cosby - President, North America

30 years of significant leadership experience, including serving as division president at three leading multi-unit retailers

- Retail
- Contract Sales
- Direct / eCommerce
- Merchandising
- Marketing
- Supply Chain
- Real Estate

Office DEPOT Max

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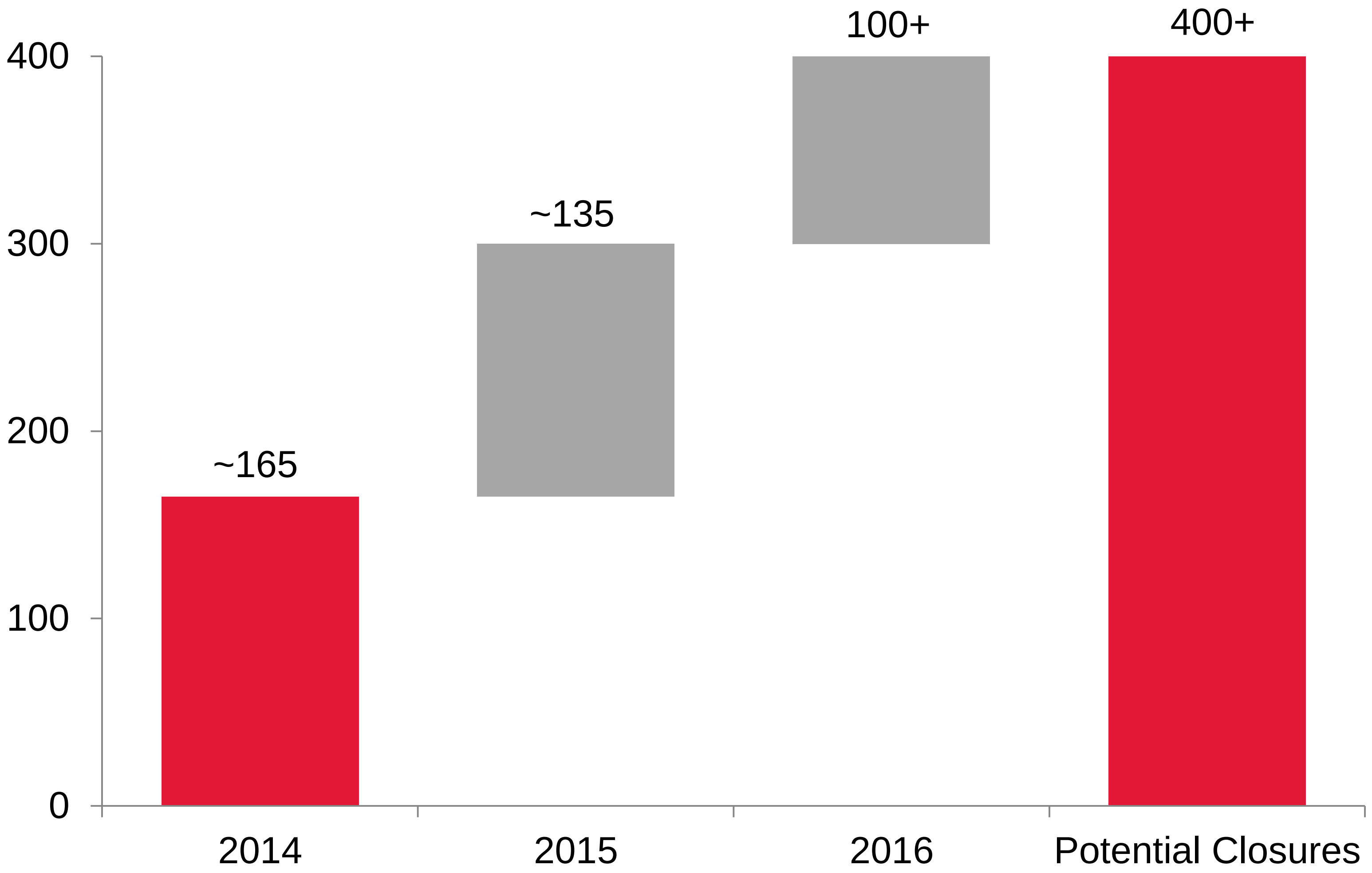
U.S. Retail Store Optimization

Progress to date

Preliminary optimization	Finalize optimization	On-going real estate operations	Store of the future
• Identify initial group of expected store closures while testing optimization plan assumptions	• Complete analysis to determine optimal portfolio to improve profitability • Sequence store closures in waves to maximize benefit	• Negotiate favorable lease terms • Evaluate locations as leases near expiration or opportunistically	• Define optimal store format aligning with USP • Test and Implement

Store-by-store evaluation – factors include store performance, sales transfer, stranded costs, store closing costs, expected impacts to other channels and overall go-to-market strategy

Expected Store Closure Cadence

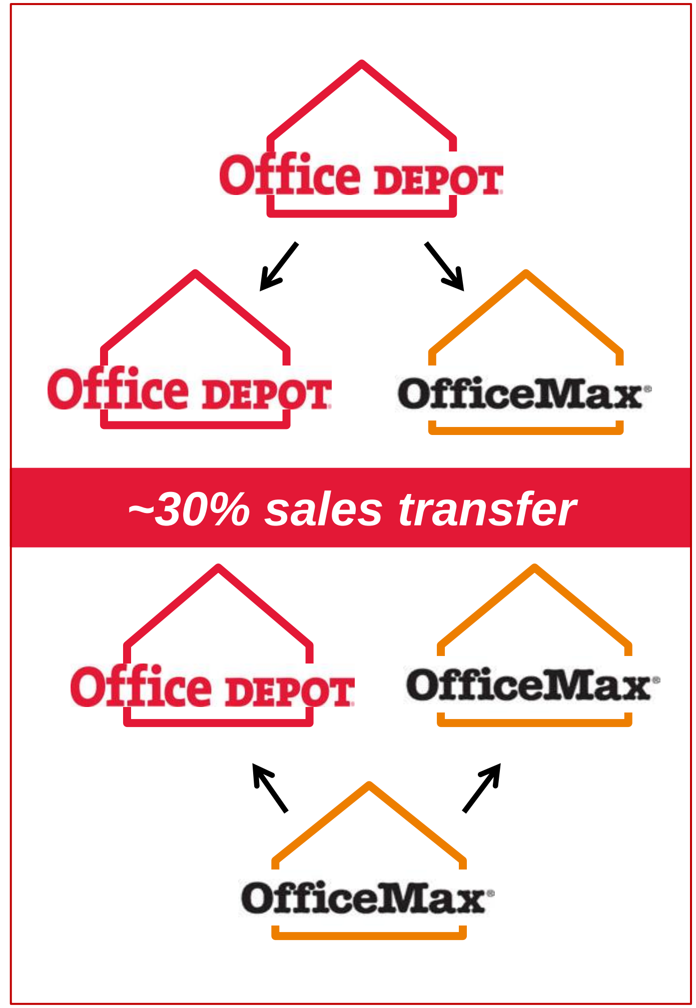


Expected run-rate synergies of at least $100M by end of 2016

Maximizing Retail Store Transfer Rates

Historical

2014-2016 store closures



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More Than $700 Million in Synergies

Total Annual Run-Rate by End of 2016

- **Total annual run-rate synergies include:**
  - ✓ At least $100 million from U.S. retail store portfolio optimization
  - ✓ At least $130 million from purchasing synergies (COGS)
  - ✓ At least $470 million from SG&A/distribution/occupancy
- **Expect to realize $220 million in cost synergies during 2014**
  - ✓ At least $60 million from purchasing synergies (COGS)
  - ✓ At least $160 million from SG&A/distribution/occupancy
- **Annual run-rate cost synergies of approximately $400 million by end of 2014**

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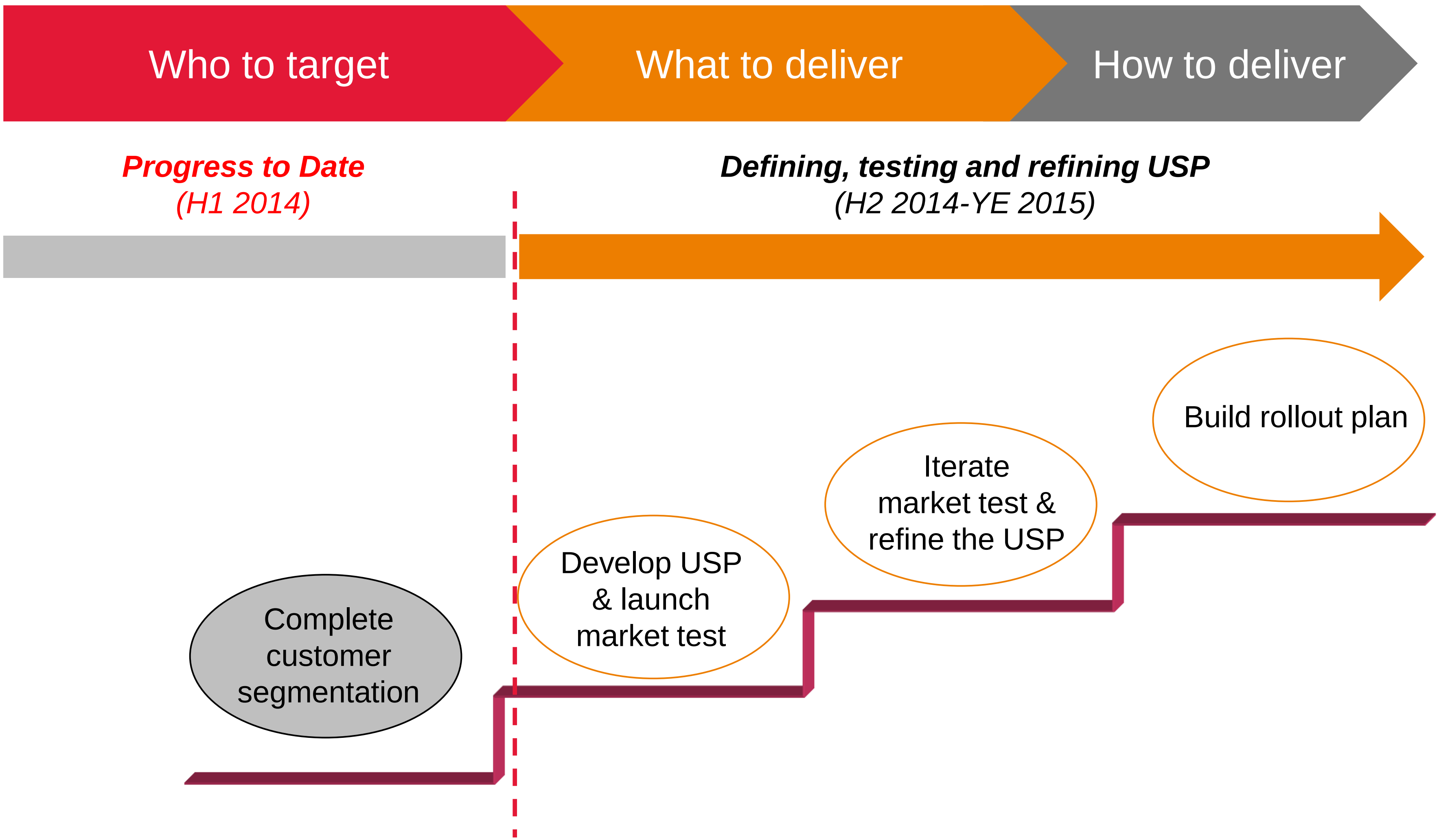
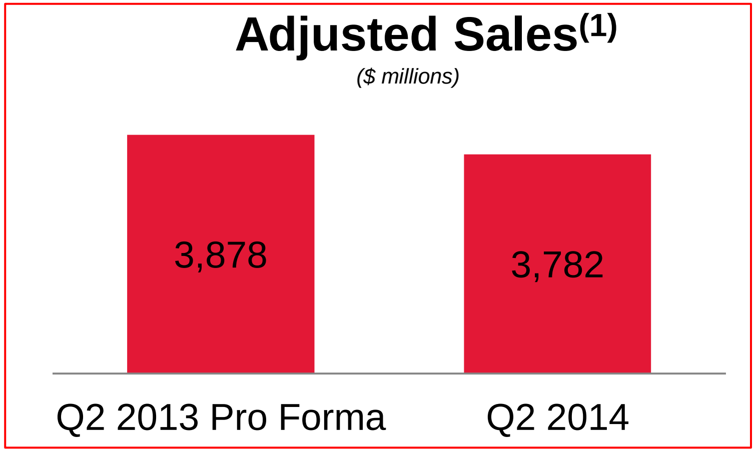
Defining, Testing & Rolling Out USP

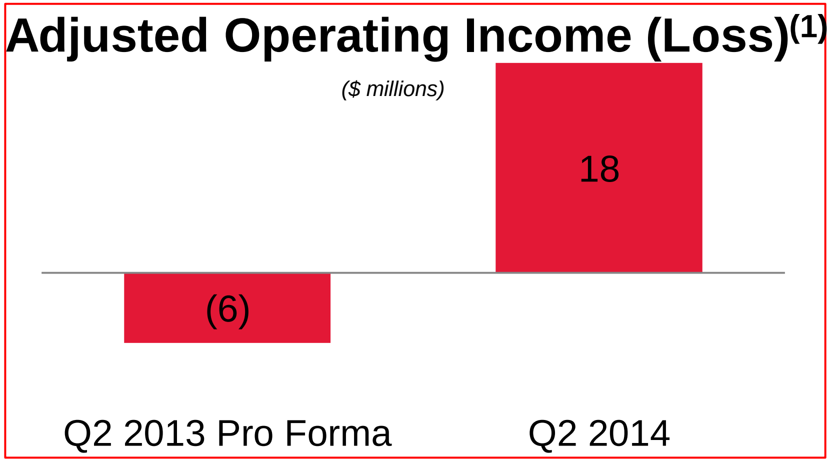


Steve Hare

Executive Vice President and Chief Financial Officer

Consolidated Financial Summary – Q2 2014

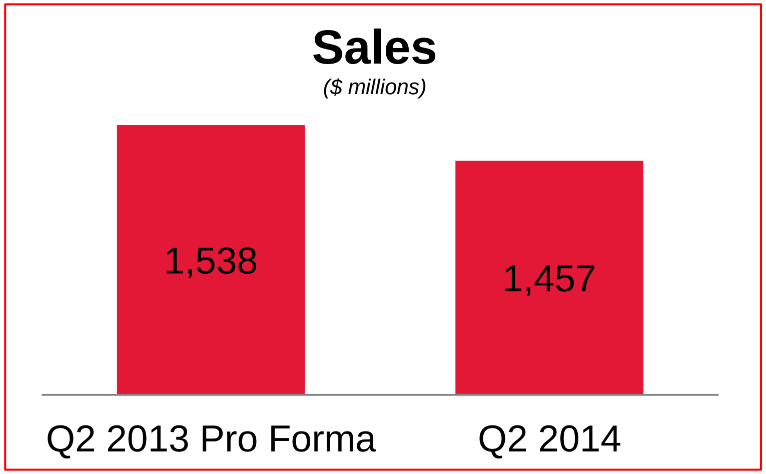


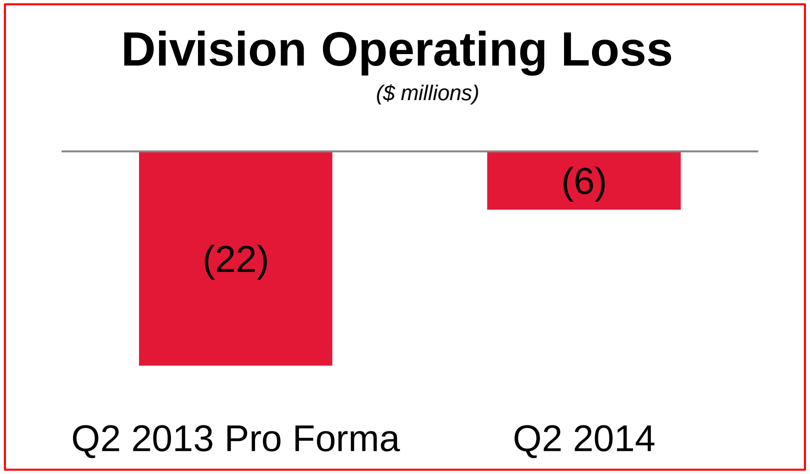


- Q2 2014 adjusted sales[1] down 2% from pro forma Q2 2013
- Gross margin increased 13 bps versus pro forma Q2 2013
- SG&A decreased by $41 million versus pro forma Q2 2013
- Q2 2014 adjusted operating income[1] increased by $24 million versus pro forma 2013

[1] Non-GAAP number. Excludes special items and Grupo OfficeMax results. A reconciliation of GAAP to non-GAAP numbers can be found at investor.officedepot.com

North American Retail – Q2 2014



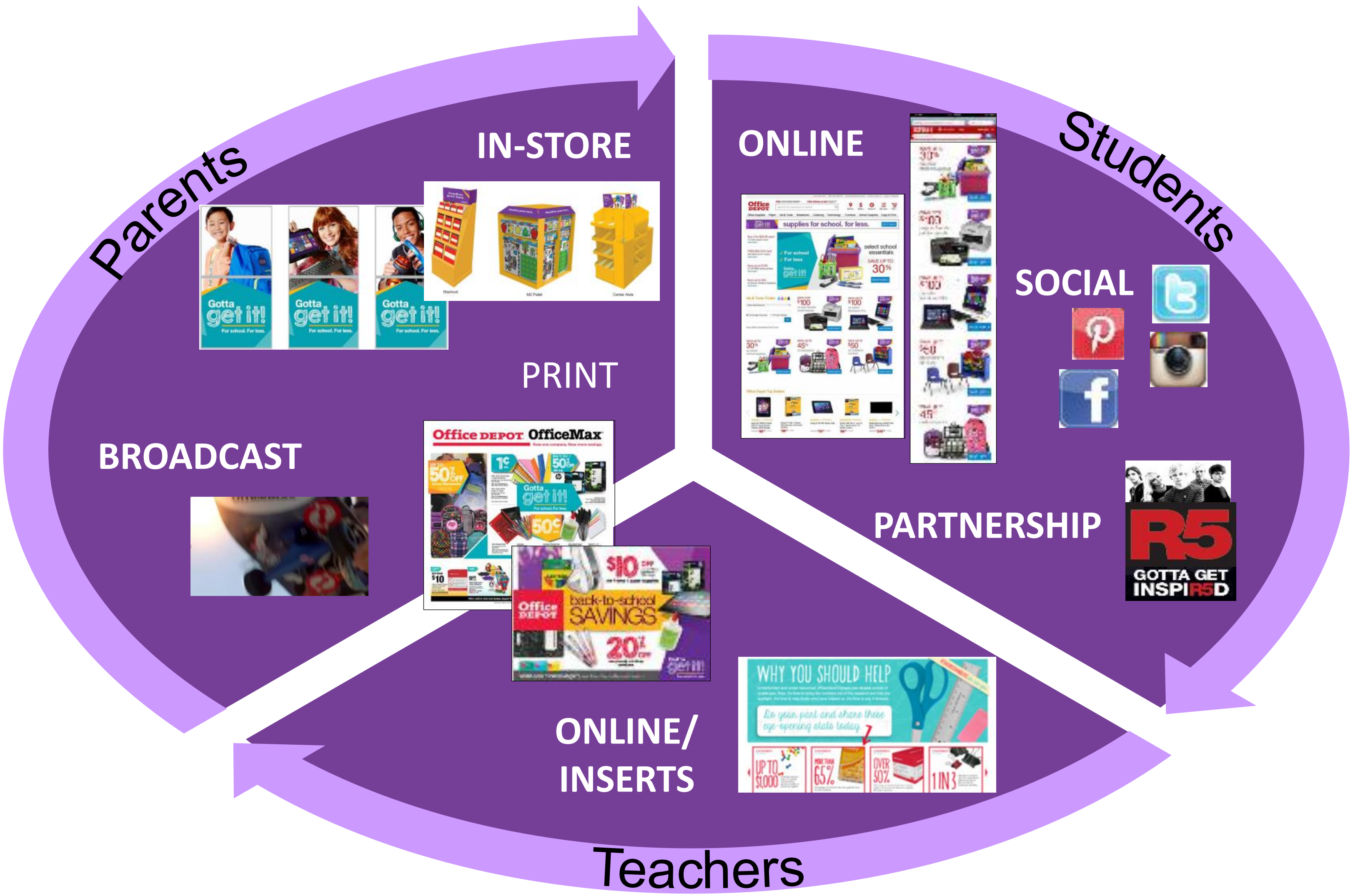


- Q2 2014 sales decreased 5% versus pro forma Q2 2013 due to lower same store sales and store closures
  - ✓ Same store sales down 3%
  - ✓ Sales declines in ink & toner, laptops, and peripherals
  - ✓ Improvement in desktop computers and copy & print sales
- Q2 2014 operating loss reduced by $16 million from pro forma Q2 2013
  - ✓ Lower SG&A including payroll, advertising, and other store expenses, as well as gross margin rate improvement, offset deleverage of lower sales

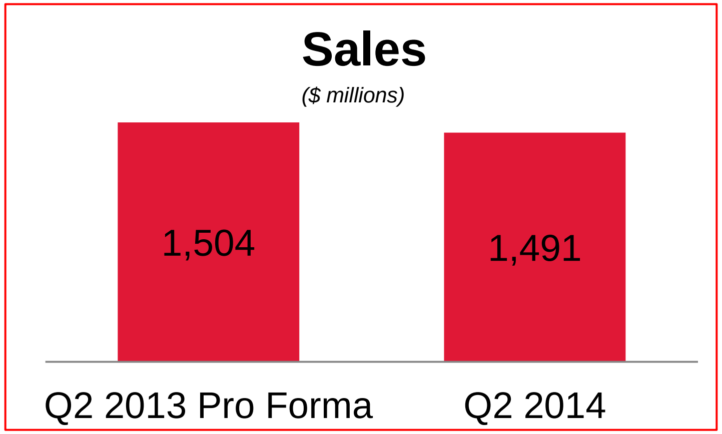
North American Retail – Q2 Highlights

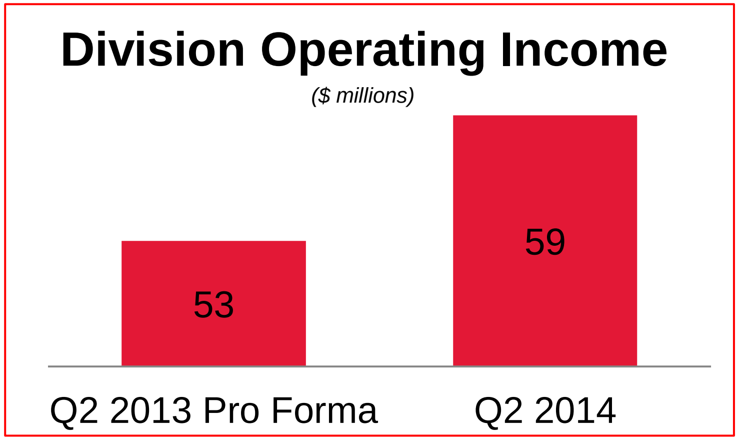
- Implemented "one-store" operating model
  - ✓ Optimized staffing & labor model
  - ✓ Enhanced selling model
  - ✓ Streamlined logistics
  - ✓ Consistent KPIs & reporting across banners
  - ✓ Consistent bonus & incentive plans
- Rolled out enhanced price match and return policies
- Developed robust and integrated back to school program

North America – 2014 Back-to-School



Business Solutions – Q2 2014





- Q2 2014 sales decreased 1% versus pro forma Q2 2013
  - ✓ Decline driven by Canada Grand & Toy operations and f/x
  - ✓ U.S. Contract channel sales flat, Direct channel sales up slightly
  - ✓ Continued transition from call center sales to web sales in Direct
- Q2 2014 divisional income up 11% versus pro forma Q2 2013
  - ✓ Sequential improvement in YOY gross margin rate decline
  - ✓ Lower payroll, advertising, and SG&A synergies more than offset deleverage of lower sales and slight gross margin rate decline

Business Solutions – Q2 Highlights

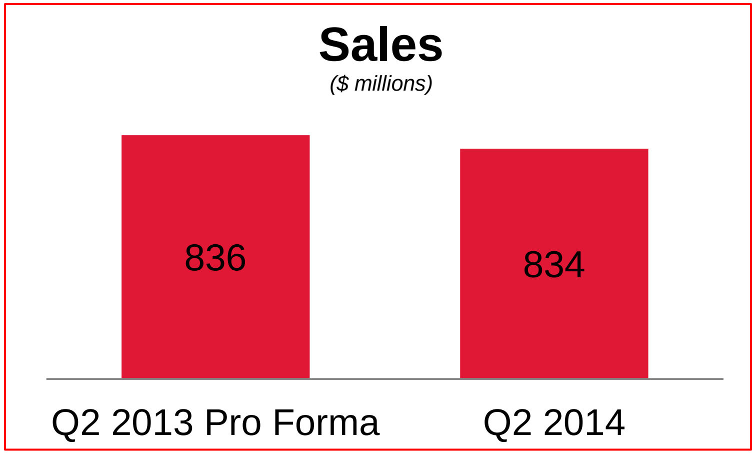
Contract:

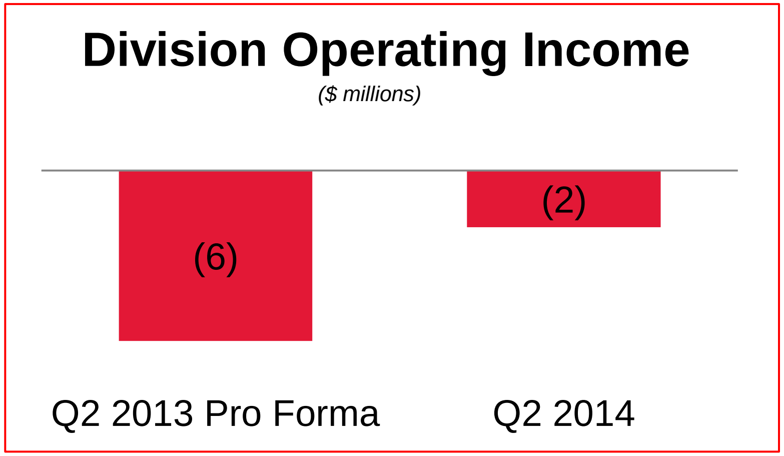
- Fully integrated sales organizations and consolidated the inside sales organizations
- Continued rollout of sales enablement tools for legacy OfficeMax field associates in Q3 and Q4

Direct:

- Numerous web enhancements including integrated Office Depot/OfficeMax store locator and enhanced personalization on both consumer and business sites
- Integrating the websites and will launch improved customer experience by the end of the year

International – Q2 2014





- Q2 2014 sales decreased 5% in constant currency versus pro forma Q2 2013
  - ✓ Sales down in all three channels: Contract, Direct, and Retail
  - ✓ Timing of Easter holiday negatively impacted sales comparison to prior year
- Q2 2014 operating loss reduced by $4 million versus pro forma Q2 2013
  - ✓ Gross margin rate improvement and lower operating expenses, including payroll and advertising, offsetting deleverage of lower sales

International – Q2 Highlights

- Completed the design phase for a new Pan-European operating model across multiple work streams
- Enhanced Viking® websites in Europe with improved online customer experience
- Completed assessment and started training for an improved and integrated selling model

Balance Sheet/Cash Flow Highlights

Net Cash Position	• Total liquidity of $1.9 billion at Q2 2014 ✓ $768 million of cash & equivalents ✓ $1.1 billion available from asset-backed lending facility • Total debt of $714 million, excluding $849 million non-recourse debt related to Timber Notes
Cash Merger Costs	• $73 million of merger-related cash payments in Q2 2014
Capex	• Capital expenditures of $27 million in Q2 2014
Sale of Boise Stock Distribution	• All remaining shares sold during Q2 with proceeds of $20 million
Pending Sale of Mexico JV Interest	• Transaction expected to close in Q3 2014
Legal Accrual	• $80 million accrual in Q2; cash settlement would not be paid earlier than Q4 2014

2014-2016 Store Closure Assumptions

Average Annual Operating Income Benefit ~$250K per closed store

- Key Assumptions (averages per closed store):
  - ✓ Annual sales of $2.8 million
  - ✓ 30% sales transfer rate target to nearby store
  - ✓ Negative operating margin
- Majority of closed store overhead costs reallocated to open stores in the market

Cash Flow Impacts

- No upfront cash impact (averages per closed store)
  - ✓ Working capital recovery +$150 thousand
  - ✓ Closure and transfer costs -$150 thousand (excluding lease obligations)
- For 2014 closures, expect $40 million lease obligation accrual

2014 Outlook

- Adjusted operating income not less than $200 million
- Cash merger integration expenses of approximately $300 million
- Up to $50 million in Capex related to integration
- Capital expenditures of approximately $150 million related to core business
- Depreciation & amortization of approximately $300 million

Questions & Answers