

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 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.

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

| | 13 Weeks Ended | | 26 Weeks Ended | |
|--|----------------|---------------|----------------|---------------|
| | June 25, 2016 | June 27, 2015 | June 25, 2016 | June 27, 2015 |
| Net Income (Loss) | | | | |
| Net income (loss) | \$ 210 | \$ (58) | \$ 256 | \$ (13) |
| Add (Less): | | | | |
| Charges and credits, after tax | (191) | 90 | (179) | 116 |
| Adjusted net income (loss)* | \$ 19 | \$ 32 | \$ 76 | \$ 103 |
| Weighted average shares used: | | | | |
| Basic | 550 | 547 | 550 | 546 |
| Diluted | 560 | 554 | 557 | 554 |
| EPS (most dilutive) - GAAP | \$ 0.38 | \$ (0.11) | \$ 0.46 | \$ (0.02) |
| Charges and credits, after tax | 0.35 | (0.17) | 0.32 | (0.21) |
| Adjusted EPS (most dilutive) | \$ 0.03 | \$ 0.06 | \$ 0.14 | \$ 0.19 |
| <u>Charges/Credits</u> | | | | |
| Merger-related expenses | | | | |
| Severance, retention, and relocation | \$ - | \$ 6 | \$ - | \$ 11 |
| Transaction and integration | 11 | 29 | 22 | 53 |
| Facility closure, contract termination, and other costs, net | 14 | 29 | 17 | 15 |
| Merger-related expenses | 25 | 64 | 39 | 79 |
| International restructuring and certain other expenses | | | | |
| Severance and retention | 1 | 20 | 5 | 25 |
| Integration | - | 2 | - | 4 |
| Other related expenses | 3 | - | 4 | 6 |
| International restructuring and certain other expenses | 4 | 22 | 9 | 35 |
| Staples Acquisition (income) expenses | | | | |
| Retention | 15 | 29 | 18 | 35 |
| Transaction | 19 | 5 | 41 | 14 |
| Termination Fee | (250) | - | (250) | - |
| Staples Acquisition expenses | (216) | 34 | (191) | 49 |
| Total Merger, restructuring and other operating (income) expenses, net | (187) | 120 | (143) | 163 |
| Asset impairments | - | 4 | - | 9 |
| Charges and credits, pretax | (187) | 124 | (143) | 172 |
| Tax expense (benefit) ** | (4) | (34) | (36) | (56) |
| Charges and credits, after tax | \$ (191) | \$ 90 | \$ (179) | \$ 116 |

* Amounts may not foot due to rounding.

** The Company has deferred tax asset valuation allowances in the US and certain foreign jurisdictions for GAAP purposes. The non-GAAP tax calculation removes the US valuation allowances because of cumulative income on a non-GAAP basis. The foreign valuation allowances remain for non-GAAP calculations. The effective tax rate for both GAAP and non-GAAP continues to be affected by losses in jurisdictions with valuation allowances. Additionally, the 2016 GAAP effective tax rate reflects benefits from utilization of deferred tax assets because of existing valuation allowances.

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

| | 13 Weeks Ended | | 26 Weeks Ended | |
|---|----------------|---------------|----------------|---------------|
| | June 25, 2016 | June 27, 2015 | June 25, 2016 | June 27, 2015 |
| Operating Income (Loss) | | | | |
| Operating income (loss) | \$ 253 | \$ (51) | \$ 325 | \$ 36 |
| Add: | | | | |
| Charges and credits, pretax | (187) | 124 | (143) | 172 |
| Adjusted operating income (loss) | <u>\$ 67</u> | <u>\$ 73</u> | <u>\$ 181</u> | <u>\$ 208</u> |
| Sales | \$ 3,218 | \$ 3,440 | \$ 6,762 | \$ 7,317 |
| Operating income (loss) margin | 7.9% | -1.5% | 4.8% | 0.5% |
| Adjusted operating income (loss) margin | 2.1% | 2.1% | 2.7% | 2.8% |

Note: Amounts may not foot due to rounding.

With respect to projected 2016 adjusted operating income and free cash flow, reconciliations to the corresponding GAAP amounts have not been provided given that current estimates for charges to be incurred related to restructuring activities and the related cash flow impacts cannot be reasonably estimated.

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.

| | <u>13 Weeks Ended</u> | | <u>26 Weeks Ended</u> | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | <u>June 25, 2016</u> | <u>June 27, 2015</u> | <u>June 25, 2016</u> | <u>June 27, 2015</u> |
| Cash Flow Summary | | | | |
| Net cash provided by (used in) operating activities | \$ 287 | \$ (90) | \$ 148 | \$ (135) |
| Net cash provided by (used in) investing activities | (12) | 31 | (37) | (39) |
| Net cash provided by (used in) financing activities | (37) | (1) | (63) | (9) |
| Effect of exchange rate changes on cash and cash equivalents | 1 | - | 1 | (21) |
| Net increase (decrease) in cash and cash equivalents | <u>\$ 239</u> | <u>\$ (60)</u> | <u>\$ 49</u> | <u>\$ (204)</u> |
| Free Cash Flow | | | | |
| Net cash provided by (used in) operating activities | \$ 287 | \$ (90) | \$ 148 | \$ (135) |
| Less: Capital expenditures | 23 | 44 | 49 | 71 |
| Free Cash Flow | <u>\$ 264</u> | <u>\$ (134)</u> | <u>\$ 99</u> | <u>\$ (206)</u> |

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

| Sales Factors Impacting Comparability | 13 Weeks Ended June 25, 2016 | 26 Weeks Ended June 25, 2016 |
|---|---|---|
| Reported (GAAP) sales decline | -6% | -8% |
| Exclusion of foreign currency translation impact | 0% | 0% |
| Exclusion of sales associated with U.S. store closure impacts | -3% | -4% |
| Adjusted Sales decline excluding impact from foreign currency translation, and U.S. retail store closures | <u>-3%</u> | <u>-4%</u> |

Note: Amounts may not foot due to rounding.