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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 8-K**

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**Current Report**

**Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**

**Date of Report: February 20, 2013  
Date of earliest event reported: February 20, 2013**

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**OFFICEMAX INCORPORATED**

**(Exact name of registrant as specified in its charter)**

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**Delaware**  
**(State of Incorporation)**

**1-5057**  
**(Commission File Number)**

**82-0100960**  
**(IRS Employer Identification No.)**

**263 Shuman Blvd.**  
**Naperville, Illinois 60563**  
**(Address of principal executive offices) (Zip Code)**

**(630) 438-7800**  
**(Registrant's telephone number, including area code)**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operations and Financial Condition.**

On February 20, 2013, OfficeMax Incorporated (the “Company”) issued a press release announcing its earnings for its fiscal fourth quarter and full year ended December 29, 2012 and expects to post in the SEC Filings section of its investor relations website a document containing further comments on such financial results by its President and CEO, Ravi Saligram, and its EVP, Chief Financial Officer and Chief Administrative Officer, Bruce Besanko. The earnings release is attached hereto as Exhibit 99.1 and the earnings comments are attached hereto as Exhibit 99.2.

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference to such filing

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

Exhibit 99.1 OfficeMax Incorporated Earnings Release dated February 20, 2013

Exhibit 99.2 OfficeMax Incorporated Earnings Comments dated February 20, 2013

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: February 20, 2013

OFFICEMAX INCORPORATED

By: /s/ Matthew R. Broad

Matthew R. Broad

Executive Vice President and General Counsel

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>
Exhibit 99.1	OfficeMax Incorporated Earnings Release dated February 20, 2013
Exhibit 99.2	OfficeMax Incorporated Earnings Comments dated February 20, 2013

OfficeMax Incorporated  
263 Shuman Boulevard  
Naperville, IL 60563



## News Release

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### Investor Contact

Mike Steele  
630 864 6826

### Media Contact

Julie Treon  
630 864 6155

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**For Immediate Release: February 20, 2013**

**OFFICEMAX REPORTS FOURTH QUARTER AND FULL YEAR 2012 FINANCIAL RESULTS  
ACHIEVES SIGNIFICANT YEAR-OVER-YEAR IMPROVEMENT IN EPS FOR THE FULL YEAR**

Naperville, III. – OfficeMax® Incorporated (NYSE:OMX), a leader in office and facility supplies, technology and services, today announced the results for its fiscal fourth quarter and full year ended December 29, 2012.

### Consolidated Results

#### Reported Results

Total sales were \$6,920.4 million in the full year 2012, a decrease of 2.8% compared to the full year 2011, while total sales for the fourth quarter of 2012 decreased 7.4% to \$1,700.5 million compared to the fourth quarter of 2011. For the full year 2012, OfficeMax reported operating income of \$24.3 million compared to \$86.5 million in the full year 2011, and net income available to OfficeMax common shareholders of \$414.7 million, or \$4.74 per diluted share, compared to net income of \$32.8 million, or \$0.38 per diluted share in the full year 2011.

For the fourth quarter of 2012, OfficeMax reported an operating loss of \$50.1 million, compared to operating income of \$12.6 million in the fourth quarter of 2011; and a net loss available to OfficeMax common shareholders of \$33.9 million, or \$0.39 per diluted share, compared to net income of \$2.9 million, or \$0.03 per diluted share, in the fourth quarter of 2011. As previously reported, results for the fourth quarter and the full year 2011 included one additional week of operation in the U.S. (\$86 million of sales) compared to fourth quarter and full year 2012.

#### Adjusted Results

Excluding the impact of changes in foreign exchange rates, the impact of stores closed and opened, and the number of, and shift in, weeks resulting from our fiscal calendar, adjusted sales decreased 0.8% for the full year 2012 from the full year 2011, and decreased 2.7% for the fourth quarter of 2012 from the fourth quarter of 2011.

Adjusted operating income in the full year 2012 was \$139.2 million, or 2.0% of sales, compared to \$118.2 million, or 1.7% of sales, in the full year 2011, which included the benefit of \$8 million of operating income due to the additional week of operation; and adjusted net income available to OfficeMax common shareholders was \$68.5 million, or \$0.78 per diluted share, in the full year 2012, compared to \$53.3 million, or \$0.61 per diluted share, in the full year 2011, which included the benefit of \$0.06 earnings per diluted share due to the additional week.

For the fourth quarter of 2012, adjusted operating income was \$28.1 million, or 1.7% of sales, compared to \$30.4 million, or 1.7% of sales, in the fourth quarter of 2011; and adjusted net income available to OfficeMax common shareholders was \$13.9 million, or \$0.16 per diluted share, compared to \$14.4 million, or \$0.17 per diluted share, in the fourth quarter of 2011. The adjusted figures for the fourth quarter of 2011 also include the benefit of \$8 million of operating income, and \$0.06 of earnings per share due to the additional week.

The fourth quarter of 2012 adjusted figures in the preceding paragraph exclude \$76.7 million of charges associated with the acceleration of pension expense related to participant lump sum settlements (\$56.4 million); store closures in the U.S. (\$14.1 million); and severance and other charges (\$6.2 million) primarily related to restructurings in the Contract business. The adjusted figures also exclude a \$1.6 million non-cash charge to impair fixed assets in the fourth quarter of 2012 associated with certain retail stores, primarily in Mexico.

“We’ve been making tangible progress in executing against our strategic plan,” said Ravi Saligram, President and CEO of OfficeMax. “Our execution during 2012 resulted in a significant increase in earnings per share, strong cash flow from operations, and reinstatement of a quarterly dividend. After completing our comprehensive review, we’ve also simplified our balance sheet and created greater clarity for our investors.”

Consolidated (in millions, except per-share amounts)	4Q12	4Q11	FY12	FY11
Sales	\$1,700.5	\$1,835.8	\$6,920.4	\$7,121.2
Sales decline (from prior year period)	-7.4%		-2.8%	
Adjusted sales decline (from prior year period)*	-2.7%		-0.8%	
Gross profit	\$ 431.8	\$ 449.9	\$1,784.5	\$1,809.2
Gross profit margin	25.4%	24.5%	25.8%	25.4%
Adjusted operating income*	\$ 28.1	\$ 30.4	\$ 139.2	\$ 118.2
Adjusted operating income margin*	1.7%	1.7%	2.0%	1.7%
Adjusted diluted income per common share*	\$ 0.16	\$ 0.17	\$ 0.78	\$ 0.61

\* Adjusted sales, adjusted operating income, adjusted operating income margin, adjusted net income available to OfficeMax common shareholders, and adjusted diluted income per share are non-GAAP financial measures that exclude the effect of certain items and charges described in the footnotes to the accompanying financial statements. A reconciliation to the company’s GAAP financial results is included in this press release.

### Contract Segment Results

Contract segment sales decreased 5.3% compared to the prior year period to \$885.4 million in the fourth quarter of 2012. This decrease reflected a U.S. Contract operations sales decrease of 8.0% and an international Contract operations sales increase of 0.9% in U.S. dollars (a decrease of 2.6% on a local currency basis). The Contract segment sales decline primarily reflects the \$35 million of sales in the additional week in the fourth quarter of 2011. Excluding the additional week, Contract segment sales in the fourth quarter decreased 1.6% (a decrease of 2.8% on a local currency basis) compared to the prior year; and U.S. Contract operations sales decreased 2.8%. The U.S. Contract performance reflects weaker sales to existing corporate accounts partially offset by sales to new customers exceeding lost sales to former customers.

Contract (in millions)	4Q12	4Q11	FY12	FY11
Sales	\$885.4	\$934.8	\$3,605.8	\$3,624.1
Sales growth/decline (from prior year period)	-5.3%		-0.5%	
Sales growth/decline (from prior year period) excl. additional week in 4Q11	-1.6%		0.5%	
Gross profit margin	22.8%	22.2%	22.6%	22.3%
Segment income	\$ 23.1	\$ 28.0	\$ 102.4	\$ 77.7
Segment income margin	2.6%	3.0%	2.8%	2.1%

Contract segment gross profit margin increased to 22.8% in the fourth quarter of 2012 from 22.2% in the fourth quarter of 2011, reflecting higher customer margins. Contract segment operating, selling and general and administrative expenses as a percentage of sales increased to 20.2% in the fourth quarter of 2012 from 19.2% in the fourth quarter of 2011 primarily due to investments in growth and profitability initiatives and higher incentive compensation expense. Contract segment income was \$23.1 million, or 2.6% of sales, in the fourth quarter of 2012 compared to \$28.0 million, or 3.0% of sales, in the fourth quarter of 2011.

### Retail Segment Results

Retail segment sales decreased 9.5% to \$815.1 million in the fourth quarter of 2012 compared to the fourth quarter of 2011, reflecting a same-store sales decrease on a local currency basis of 4.1% primarily due to decreased traffic and lower technology product category sales. The decrease reflected a U.S. Retail operations same-store sales decrease of 4.6%, partially offset by a Mexico retail operations same-store sales increase of 0.4% on a local currency basis. Retail segment sales in the fourth quarter of 2012 included an additional fiscal month of sales from our majority-owned joint-venture in Mexico, as we ceased reporting one month in arrears.

<u>Retail (in millions)</u>	<u>4Q12</u>	<u>4Q11</u>	<u>FY12</u>	<u>FY11</u>
Sales	\$815.1	\$901.0	\$3,314.6	\$3,497.1
Same-store sales growth/decline	-4.1%		-2.2%	
Gross profit margin	28.2%	26.9%	29.3%	28.6%
Segment income	\$ 16.5	\$ 13.2	\$ 69.9	\$ 75.3
Segment income margin	2.0%	1.5%	2.1%	2.2%

Retail segment gross profit margin increased to 28.2% in the fourth quarter of 2012 from 26.9% in the fourth quarter of 2011 due to higher customer margins driven primarily by a sales mix shift from the relatively lower margin technology category as well as prudent promotional activity, partially offset by deleveraging of occupancy costs due to lower sales. Retail segment operating, selling and general and administrative expenses as a percentage of sales were 26.2% in the fourth quarter of 2012 and 25.5% in the fourth quarter of 2011, primarily due to deleveraging of expenses due to lower sales. Retail segment income was \$16.5 million, or 2.0% of sales, in the fourth quarter of 2012 compared to \$13.2 million, or 1.5% of sales, in the fourth quarter of 2011.

OfficeMax ended the fourth quarter of 2012 with a total of 941 Retail stores, consisting of 851 Retail stores in the U.S. and 90 Retail stores in Mexico. For the full year 2012, OfficeMax Retail closed 46 stores and opened one in the U.S.; and opened 10 stores and closed two in Mexico.

### **Corporate and Other Segment Results**

The Corporate and Other segment includes support staff services and certain other expenses that are not fully allocated to the Contract and Retail segments. Corporate and Other segment operating, selling and general and administrative expenses were \$11.5 million in the fourth quarter of 2012 compared to \$10.8 million in the fourth quarter of 2011.

### **Balance Sheet and Cash Flow**

As of December 29, 2012, OfficeMax had total debt of \$236.2 million, excluding \$735.0 million of non-recourse debt related to the Wells Fargo-backed timber notes.

During the full year 2012, OfficeMax generated \$185.2 million of cash flow from operations compared to \$53.7 in the full year 2011. OfficeMax invested \$39.0 million in capital expenditures in the fourth quarter of 2012 compared to \$28.1 million in the fourth quarter of 2011. This cash flow from operations did not include any proceeds from Boise Cascade Holdings, L.L.C., all of which were received in February 2013. For the full year 2012, OfficeMax invested \$87.2 million in capital expenditures compared to \$69.6 million in 2011.

“Strong cash flow and efforts to address legacy assets and liabilities translated into an improved balance sheet,” said Bruce Besanko, EVP, Chief Financial Officer and Chief Administrative Officer of OfficeMax. “Our continued strong financial position enables us to invest in our strategic objectives, which we believe will create long-term value for our shareholders.”

### **Outlook**

#### First Quarter 2013

Based on the current environment, OfficeMax anticipates that total company sales for the first quarter will be lower than the first quarter of 2012, including the projected favorable impact of foreign currency translation. Additionally, OfficeMax anticipates that for the first quarter of 2013, operating income margin will be slightly lower than the adjusted margin of 2.3% for the prior year period.

#### Full Year 2013

For the full year 2013, OfficeMax anticipates that total company sales will be in line with the prior year period, including the projected favorable impact of foreign currency translation. For the full year 2013, OfficeMax anticipates that operating income margin will be in line with the adjusted margin of 2.0% for the prior year.

Outlook for operating income margin for both the first quarter and full year 2013 includes the negative impact from the lapse of a retail lease non-cash income item related to the OfficeMax-Boise merger in 2003, and discontinuation of dividend income due to the redemption of a Boise Cascade Holdings L.L.C. investment security. Together these items will reduce 2013 adjusted operating income by approximately \$4 million in the first quarter and \$18 million for the full year 2013.

The company's full year 2013 outlook also includes the following:

- Capital expenditures of approximately \$100-125 million, primarily related to investments in IT, ecommerce, infrastructure improvements, and maintenance
- Depreciation & amortization of approximately \$75-85 million
- Pension expense of approximately \$3 million, and cash contributions to the frozen pension plans of approximately \$3 million
- Interest expense of approximately \$65-69 million and interest income of approximately \$42-45 million
- An effective tax rate of approximately 34%
- Cash flow from operations exceeding capital expenditures
- A net reduction in total Retail square footage for the year, with U.S. activity including the expected closing of 5-10 stores, several openings, and selective relocation and downsizing of stores as locations approach lease expiration dates; Mexico activity including the expected 6 store openings and no closures

### **Forward-Looking Statements**

Certain statements made in this press release and other written or oral statements made by or on behalf of the company constitute "forward-looking statements" within the meaning of the federal securities laws, including statements regarding the company's future performance, as well as management's expectations, beliefs, intentions, plans, estimates or projections relating to the future. Management believes that these forward-looking statements are reasonable. However, the company cannot guarantee that the macroeconomy will perform within the assumptions underlying its projected outlook; that its initiatives will be successfully executed and produce the results underlying its expectations, due to the uncertainties inherent in new initiatives, including customer acceptance, unexpected expenses or challenges, or slower-than-expected results from initiatives; or that its actual results will be consistent with the forward-looking statements and you should not place undue reliance on them. These statements are based on current expectations and speak only as of the date they are made. The company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise. Important factors regarding the company that may cause results to differ from expectations are included in the company's Annual Report on Form 10-K for the year ended December 31, 2011, under Item 1A "Risk Factors", and in the company's other filings with the Securities and Exchange Commission.

### **Additional Comments**

OfficeMax expects to post further comments by its President and CEO, Ravi Saligram, and its EVP, Chief Financial Officer and Chief Administrative Officer, Bruce Besanko, regarding its fourth quarter and full year 2012 financial results. The comments will be available by visiting the SEC Filings section of the OfficeMax Investor Relations website at [investor.officemax.com](http://investor.officemax.com).

### **About OfficeMax**

OfficeMax Incorporated (NYSE: OMX) is a leader in integrating products, solutions and services for the workplace, whether for business or at home. The OfficeMax mission is simple: We provide workplace innovation that enables our customers to work better. The company provides office supplies and paper, in-store print and document services through OfficeMax ImPress<sup>®</sup>, technology products and solutions, and furniture to businesses and consumers. OfficeMax consumers and business customers are served by approximately 29,000 associates through [OfficeMax.com](http://OfficeMax.com); [OfficeMaxSolutions.com](http://OfficeMaxSolutions.com) and [Reliable.com](http://Reliable.com); more than 900 stores in the U.S. and Mexico; and direct sales and catalogs. OfficeMax has been named one of the 2012 World's Most Ethical Companies, and is the only company in the office supply industry to receive Ethics Inside<sup>®</sup> Certification by the Ethisphere Institute. To find the nearest OfficeMax, call 1-877-OFFICEMAX. For more information, visit [www.officemax.com](http://www.officemax.com).

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OFFICEMAX INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)  
(thousands, except per-share amounts)

	Quarter Ended	
	December 29, 2012	December 31, 2011
Sales	\$1,700,493	\$1,835,783
Cost of goods sold and occupancy costs	1,268,728	1,385,839
<b>Gross profit</b>	431,765	449,944
<b>Operating expenses:</b>		
Operating, selling and general and administrative expenses	403,647	419,576
Asset impairments (a)	1,585	11,197
Other operating expenses (b)	76,651	6,614
Total operating expenses	481,883	437,387
<b>Operating income (loss)</b>	(50,118)	12,557
<b>Other income (expense):</b>		
Interest expense	(17,075)	(18,415)
Interest income	10,952	11,087
Other income (expense), net	40	(20)
	(6,083)	(7,348)
<b>Pre-tax income (loss)</b>	(56,201)	5,209
Income tax benefit (expense)	23,528	(1,680)
<b>Net income (loss) attributable to OfficeMax and noncontrolling interest</b>	(32,673)	3,529
Joint venture results attributable to noncontrolling interest	(683)	(113)
<b>Net income (loss) attributable to OfficeMax</b>	(33,356)	3,416
Preferred dividends	(514)	(509)
<b>Net income (loss) available to OfficeMax common shareholders</b>	\$ (33,870)	\$ 2,907
<b>Basic income (loss) per common share:</b>	\$ (0.39)	\$ 0.03
<b>Diluted income (loss) per common share:</b>	\$ (0.39)	\$ 0.03
<b>Weighted Average Shares</b>		
Basic	86,795	86,127
Diluted	86,795	87,333

- (a) The fourth quarter of 2012 included non-cash charges of \$1.6 million to impair fixed assets associated with certain retail stores, primarily in Mexico. Fourth quarter of 2011 included non-cash charges of \$11.2 million to impair fixed assets associated with certain retail stores in the U.S. These charges reduced net income by \$0.7 million and \$6.8 million, or \$0.01 and \$0.08 per diluted share for the fourth quarters of 2012 and 2011, respectively.
- (b) The fourth quarter of 2012 included charges totaling \$76.7 million associated with the acceleration of pension expense related to participant settlements (\$56.4 million), store closures in the U.S. (\$14.1 million), and severance and other charges (\$6.2 million) primarily related to restructurings in the Canada, Australia, New Zealand and U.S Contract businesses. Fourth quarter of 2011 included \$6.6 million of severance charges, primarily related to restructurings in the Australia, Canada and New Zealand sales and supply chain organizations businesses. These items reduced net income by \$47.0 million and \$4.7 million, or \$0.54 and \$0.05 per diluted share for the fourth quarters of 2012 and 2011, respectively.

OFFICEMAX INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)  
(thousands, except per-share amounts)

	Year Ended	
	December 29, 2012	December 31, 2011
Sales	\$6,920,384	\$7,121,167
Cost of goods sold and occupancy costs	5,135,927	5,311,987
<b>Gross profit</b>	<b>1,784,457</b>	<b>1,809,180</b>
<b>Operating expenses:</b>		
Operating, selling and general and administrative expenses	1,645,245	1,690,967
Asset impairments (a)	11,376	11,197
Other operating expenses (b)	103,558	20,530
Total operating expenses	1,760,179	1,722,694
<b>Operating income</b>	<b>24,278</b>	<b>86,486</b>
<b>Other income (expense):</b>		
Interest expense	(69,765)	(73,136)
Interest income	43,772	44,000
Gain on extinguishment of non-recourse debt (c)	670,766	—
Other income, net	489	287
	<u>645,262</u>	<u>(28,849)</u>
<b>Pre-tax income</b>	<b>669,540</b>	<b>57,637</b>
Income tax expense	(248,722)	(19,517)
<b>Net income attributable to OfficeMax and noncontrolling interest</b>	<b>420,818</b>	<b>38,120</b>
Joint venture results attributable to noncontrolling interest	(4,028)	(3,226)
<b>Net income attributable to OfficeMax</b>	<b>416,790</b>	<b>34,894</b>
Preferred dividends	(2,096)	(2,123)
<b>Net income available to OfficeMax common shareholders</b>	<b>\$ 414,694</b>	<b>\$ 32,771</b>
<b>Basic income per common share:</b>	<b>\$ 4.79</b>	<b>\$ 0.38</b>
<b>Diluted income per common share:</b>	<b>\$ 4.74</b>	<b>\$ 0.38</b>
<b>Weighted Average Shares</b>		
Basic	86,594	85,881
Diluted	87,939	86,997

- (a) 2012 and 2011 included non-cash charges of \$11.4 million and \$11.2 million, respectively, to impair fixed assets associated primarily with certain stores in the U.S. These items reduced net income by \$6.7 million and \$6.8 million, or \$0.08 per diluted share for 2012 and 2011.
- (b) 2012 included charges totaling \$103.6 million associated with the acceleration of pension expense related to participant settlements (\$56.4 million), store closures in the U.S. (\$41.0 million), and severance and other charges (\$6.2 million) primarily related to restructurings in the Canada, Australia, New Zealand and U.S. contract business. 2011 included charges totaling \$20.5 million associated with store closures in the U.S. (\$5.6 million) and severance charges (\$14.9 million) related to reorganizations in the Canada, Australia, New Zealand and U.S. sales and supply chain organizations. The effect of these items reduced net income by \$64.0 million and \$13.7 million or \$0.73 and \$0.16 per diluted share, for 2012 and 2011, respectively.
- (c) 2012 included a non-cash gain of \$670.8 million related to an agreement that legally extinguished the Company's non-recourse debt guaranteed by Lehman Brothers Holdings, Inc. The gain increased net income available to OfficeMax common shareholders by \$416.9 or \$4.77 per diluted share.

OFFICEMAX INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(unaudited)  
(thousands)

	December 29, 2012	December 31, 2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 495,056	\$ 427,111
Receivables, net	528,279	558,635
Inventories	812,454	821,999
Deferred income taxes and receivables	68,568	63,382
Other current assets	79,527	67,847
<b>Total current assets</b>	<u>1,983,884</u>	<u>1,938,974</u>
<b>Property and equipment:</b>		
Property and equipment	1,338,837	1,308,637
Accumulated depreciation	(986,611)	(943,701)
<b>Property and equipment, net</b>	<u>352,226</u>	<u>364,936</u>
Intangible assets, net	80,765	81,520
Timber notes receivable	817,500	899,250
Deferred income taxes	108,759	370,439
Other non-current assets	441,181	414,156
<b>Total assets</b>	<u>\$3,784,315</u>	<u>\$4,069,275</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 699,636	\$ 654,918
Income taxes payable	4,222	9,553
Accrued liabilities and other	342,551	309,963
Current portion of debt	10,232	38,867
<b>Total current liabilities</b>	<u>1,056,641</u>	<u>1,013,301</u>
Long-term debt, less current portion	225,962	229,323
Non-recourse debt	735,000	1,470,000
<b>Other long-term obligations:</b>		
Compensation and benefits	365,568	393,293
Other long-term liabilities	322,154	362,442
<b>Total other long-term liabilities</b>	<u>687,722</u>	<u>755,735</u>
<b>Noncontrolling interest in joint venture</b>	44,617	31,923
<b>Shareholders' equity:</b>		
Preferred stock	27,391	28,726
Common stock	217,209	215,397
Additional paid-in capital	1,018,667	1,015,374
Accumulated deficit	(91,373)	(500,843)
Accumulated other comprehensive loss	(137,521)	(189,661)
<b>Total shareholders' equity</b>	<u>1,034,373</u>	<u>568,993</u>
<b>Total liabilities and equity</b>	<u>\$3,784,315</u>	<u>\$4,069,275</u>

OFFICEMAX INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)  
(thousands)

	Year Ended	
	December 29, 2012	December 31, 2011
<b>Cash provided by operations:</b>		
Net income attributable to OfficeMax and noncontrolling interest	\$ 420,818	\$ 38,120
Items in net income not using cash:		
Depreciation and amortization	74,124	84,218
Non-cash gain on extinguishment of non-recourse debt	(670,766)	—
Non-cash impairment charges	11,376	11,197
Pension and other post-retirement benefits expense	57,076	8,328
Deferred income tax expense	227,111	7,419
Other	47,857	11,450
Changes in operating assets and liabilities:		
Receivables	37,368	(14,674)
Inventory	20,508	17,269
Accounts payable and accrued liabilities	59,956	(54,873)
Current and deferred income taxes	(13,756)	(1,425)
Other	(86,471)	(53,350)
Cash provided by operations	185,201	53,679
<b>Cash used for investment:</b>		
Expenditures for property and equipment	(87,178)	(69,632)
Proceeds from sale of assets	1,934	259
Cash used for investment	(85,244)	(69,373)
<b>Cash used for financing:</b>		
Cash dividends paid	(5,566)	(3,286)
Changes in debt, net	(32,548)	(6,116)
Other	3,278	(8,550)
Cash used for financing	(34,836)	(17,952)
<b>Effect of exchange rates on cash and cash equivalents</b>	2,824	(1,569)
<b>Increase (decrease) in cash and cash equivalents</b>	67,945	(35,215)
<b>Cash and cash equivalents at beginning of period</b>	427,111	462,326
<b>Cash and cash equivalents at end of period</b>	<u>\$ 495,056</u>	<u>\$ 427,111</u>

OFFICEMAX INCORPORATED AND SUBSIDIARIES  
CONTRACT SEGMENT STATEMENTS OF OPERATIONS  
(unaudited)  
(millions, except per-share amounts)

	Quarter Ended			
	December 29, 2012		December 31, 2011	
Sales	\$ 885.4		\$ 934.8	
Gross profit	202.0	22.8%	207.1	22.2%
Operating, selling and general and administrative expenses	178.9	20.2%	179.2	19.2%
<b>Segment income</b>	<u>\$ 23.1</u>	<u>2.6%</u>	<u>\$ 28.0</u>	<u>3.0%</u>

  

	Year Ended			
	December 29, 2012		December 31, 2011	
Sales	\$ 3,605.8		\$ 3,624.1	
Gross profit	814.3	22.6%	809.5	22.3%
Operating, selling and general and administrative expenses	711.9	19.7%	731.8	20.3%
<b>Segment income</b>	<u>\$ 102.4</u>	<u>2.8%</u>	<u>\$ 77.7</u>	<u>2.1%</u>

Note: Totals may not sum down due to rounding.

Note: Management evaluates the segments' performances using segment income which is based on operating income after eliminating the effect of certain operating items that are not indicative of our core operations such as an accelerated pension expense related to participant settlements, facility closures and adjustments, asset impairments and severance. These certain operating items are reported on the other operating expenses line in the Consolidated Statements of Operations.

OFFICEMAX INCORPORATED AND SUBSIDIARIES  
 RETAIL SEGMENT STATEMENTS OF OPERATIONS  
 (unaudited)  
 (millions, except per-share amounts)

	Quarter Ended			
	December 29, 2012			December 31, 2011
Sales	\$ 815.1			\$ 901.0
Gross profit	229.8	28.2%		242.8 26.9%
Operating, selling and general and administrative expenses	213.3	26.2%		229.6 25.5%
<b>Segment income</b>	<b>\$ 16.5</b>	<b>2.0%</b>		<b>\$ 13.2 1.5%</b>

  

	Year Ended			
	December 29, 2012			December 31, 2011
Sales	\$ 3,314.6			\$ 3,497.1
Gross profit	970.2	29.3%		999.7 28.6%
Operating, selling and general and administrative expenses	900.3	27.2%		924.4 26.4%
<b>Segment income</b>	<b>\$ 69.9</b>	<b>2.1%</b>		<b>\$ 75.3 2.2%</b>

Note: Totals may not sum down due to rounding.

Note: Management evaluates the segments' performances using segment income which is based on operating income after eliminating the effect of certain operating items that are not indicative of our core operations such as an accelerated pension expense related to participant settlements, facility closures and adjustments, asset impairments and severance. These certain operating items are reported on the other operating expenses line in the Consolidated Statements of Operations.

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## Reconciliation of non-GAAP Measures to GAAP Measures

In addition to assessing our operating performance as reported under U.S. generally accepted accounting principles (“GAAP”), we evaluate our results of operations before non-operating legacy items, such as the gain related to an agreement that legally extinguished our non-recourse debt guaranteed by Lehman, and certain operating items that are not indicative of our core operating activities such as accelerated pension expense related to participant settlements, facility closures and adjustments, asset impairments and severance. We believe our presentation of financial measures before, or excluding, these items, which are non-GAAP measures, enhances our investors’ overall understanding of our operational performance and provides useful information to both investors and management to evaluate the ongoing operations and prospects of OfficeMax by providing better comparisons. Whenever we use non-GAAP financial measures, we designate these measures as “adjusted” and provide a reconciliation of the non-GAAP financial measures to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure. In the following tables, we reconcile our non-GAAP financial measures to our reported GAAP financial results.

Although we believe the non-GAAP financial measures enhance an investor’s understanding of our performance, our management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. The non-GAAP financial measures we use may not be consistent with the presentation of similar companies in our industry. However, we present such non-GAAP financial measures in reporting our financial results to provide investors with an additional tool to evaluate our operating results in a manner that focuses on what we believe to be our ongoing business operations.

OFFICEMAX INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
NON-GAAP RECONCILIATION - OPERATING RESULTS  
(unaudited)  
(millions, except per-share amounts)

	Quarter Ended					
	December 29, 2012			December 31, 2011		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
Sales	\$1,700.5	\$ —	\$1,700.5	\$1,835.8		\$1,835.8
Cost of goods sold and occupancy costs	1,268.7	—	1,268.7	1,385.8		1,385.8
<b>Gross profit</b>	<b>431.8</b>	<b>—</b>	<b>431.8</b>	<b>449.9</b>	<b>—</b>	<b>449.9</b>
<b>Operating expenses:</b>						
Operating, selling and general and administrative expenses	403.6	—	403.6	419.6		419.6
Asset impairments (a)	1.6	(1.6)	—	11.2	(11.2)	—
Other operating expenses (b)	76.7	(76.7)	—	6.6	(6.6)	—
Total operating expenses	481.9	(78.2)	403.6	437.4	(17.8)	419.6
<b>Operating income (loss)</b>	<b>(50.1)</b>	<b>78.2</b>	<b>28.1</b>	<b>12.6</b>	<b>17.8</b>	<b>30.4</b>
<b>Other income (expense):</b>						
Interest expense	(17.1)	—	(17.1)	(18.4)	—	(18.4)
Interest income	11.0	—	11.0	11.1	—	11.1
	(6.1)	—	(6.1)	(7.3)	—	(7.3)
<b>Pre-tax income (loss)</b>	<b>(56.2)</b>	<b>78.2</b>	<b>22.0</b>	<b>5.2</b>	<b>17.8</b>	<b>23.0</b>
Income tax benefit (expense)	23.5	(30.1)	(6.6)	(1.7)	(6.3)	(8.0)
<i>Effective tax rate</i>	<i>41.8%</i>		<i>30.0%</i>	<i>32.7%</i>		<i>34.8%</i>
<b>Net income (loss) attributable to OfficeMax and noncontrolling interest</b>	<b>(32.7)</b>	<b>48.1</b>	<b>15.4</b>	<b>3.5</b>	<b>11.5</b>	<b>15.0</b>
Joint venture results attributable to noncontrolling interest	(0.7)	(0.4)	(1.0)	(0.1)	—	(0.1)
<b>Net income (loss) attributable to OfficeMax</b>	<b>(33.4)</b>	<b>(47.8)</b>	<b>14.4</b>	<b>3.4</b>	<b>11.5</b>	<b>14.9</b>
Preferred dividends	(0.5)	—	(0.5)	(0.5)	—	(0.5)
<b>Net income (loss) available to OfficeMax common shareholders</b>	<b>\$ (33.9)</b>	<b>\$ 47.8</b>	<b>\$ 13.9</b>	<b>\$ 2.9</b>	<b>\$ 11.5</b>	<b>\$ 14.4</b>
<b>Basic income (loss) per common share:</b>	<b>\$ (0.39)</b>	<b>\$ 0.55</b>	<b>\$ 0.16</b>	<b>\$ 0.03</b>	<b>\$ 0.13</b>	<b>\$ 0.17</b>
<b>Diluted income (loss) per common share:</b>	<b>\$ (0.39)</b>	<b>\$ 0.55</b>	<b>\$ 0.16</b>	<b>\$ 0.03</b>	<b>\$ 0.13</b>	<b>\$ 0.17</b>
<b>Weighted Average Shares</b>						
Basic	86,795		86,795	86,127		86,127
Diluted	86,795		87,689	87,333		87,333

Note: Totals may not sum down or across due to rounding.

- (a) The fourth quarter of 2012 included non-cash charges of \$1.6 million to impair fixed assets associated with certain retail stores, primarily in Mexico. Fourth quarter of 2011 included non-cash charges of \$11.2 million to impair fixed assets associated with certain retail stores in the U.S. These charges reduced net income by \$0.7 million and \$6.8 million, or \$0.01 and \$0.08 per diluted share for the fourth quarters of 2012 and 2011, respectively.
- (b) The fourth quarter of 2012 included charges totaling \$76.7 million associated with the acceleration of pension expense related to participant settlements (\$56.4 million), store closures in the U.S. (\$14.1 million), and severance and other charges (\$6.2 million) primarily related to restructurings in the Canada, Australia, New Zealand and U.S Contract businesses. Fourth quarter of 2011 included \$6.6 million of severance charges, primarily related to restructurings in the Australia, Canada and New Zealand sales and supply chain organizations businesses. These items reduced net income by \$47.0 million and \$4.7 million, or \$0.54 and \$0.05 per diluted share for the fourth quarters of 2012 and 2011, respectively.



OFFICEMAX INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
NON-GAAP RECONCILIATION - OPERATING RESULTS  
(unaudited)  
(millions, except per-share amounts)

	Year Ended					
	December 29, 2012			December 31, 2011		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
Sales	\$6,920.4	\$ —	\$6,920.4	\$7,121.2	\$ —	\$7,121.2
Cost of goods sold and occupancy costs	5,135.9	—	5,135.9	5,312.0	—	5,312.0
<b>Gross profit</b>	<b>1,784.5</b>	<b>—</b>	<b>1,784.5</b>	<b>1,809.2</b>	<b>—</b>	<b>1,809.2</b>
<b>Operating expenses:</b>						
Operating, selling and general and administrative expenses	1,645.2	—	1,645.2	1,691.0	—	1,691.0
Asset impairments (a)	11.4	(11.4)	—	11.2	(11.2)	—
Other operating expenses (b)	103.6	(103.6)	—	20.5	(20.5)	—
Total operating expenses	1,760.2	(114.9)	1,645.2	1,722.7	(31.7)	1,691.0
<b>Operating income</b>	<b>24.3</b>	<b>114.9</b>	<b>139.3</b>	<b>86.5</b>	<b>31.7</b>	<b>118.2</b>
<b>Other income (expense):</b>						
Interest expense	(69.8)	—	(69.8)	(73.1)	—	(73.1)
Interest income	43.8	—	43.8	44.0	—	44.0
Gain on extinguishment of non-recourse debt (c)	670.8	(670.8)	—	—	—	—
Other income, net	0.5	—	0.5	0.3	—	0.3
	<u>645.3</u>	<u>(670.8)</u>	<u>(25.5)</u>	<u>(28.8)</u>	<u>—</u>	<u>(28.8)</u>
<b>Pre-tax income</b>	<b>669.5</b>	<b>(555.8)</b>	<b>113.7</b>	<b>57.6</b>	<b>31.7</b>	<b>89.4</b>
Income tax expense	(248.7)	210.0	(38.8)	(19.5)	(11.2)	(30.7)
<i>Effective tax rate</i>	37.1%		34.1%	33.9%		34.3%
<b>Net income attributable to OfficeMax and noncontrolling interest</b>	<b>420.8</b>	<b>(345.9)</b>	<b>75.0</b>	<b>38.1</b>	<b>20.5</b>	<b>58.7</b>
Joint venture results attributable to noncontrolling interest	(4.0)	(0.4)	(4.4)	(3.2)	—	(3.2)
<b>Net income attributable to OfficeMax</b>	<b>416.8</b>	<b>(346.2)</b>	<b>70.6</b>	<b>34.9</b>	<b>20.5</b>	<b>55.4</b>
Preferred dividends	(2.1)	—	(2.1)	(2.1)	—	(2.1)
<b>Net income available to OfficeMax common shareholders</b>	<b>\$ 414.7</b>	<b>\$ (346.2)</b>	<b>\$ 68.5</b>	<b>\$ 32.8</b>	<b>\$ 20.5</b>	<b>\$ 53.3</b>
<b>Basic income per common share:</b>	<b>\$ 4.79</b>	<b>\$ (4.00)</b>	<b>\$ 0.79</b>	<b>\$ 0.38</b>	<b>\$ 0.24</b>	<b>\$ 0.62</b>
<b>Diluted income per common share:</b>	<b>\$ 4.74</b>	<b>\$ (3.96)</b>	<b>\$ 0.78</b>	<b>\$ 0.38</b>	<b>\$ 0.24</b>	<b>\$ 0.61</b>
Basic	86,594		86,594	85,881		85,881
Diluted	87,939		87,421	86,997		86,997

Note: Totals may not sum down or across due to rounding.

- (a) 2012 and 2011 included non-cash charges of \$11.4 million and \$11.2 million, respectively, to impair fixed assets associated primarily with certain stores in the U.S. These items reduced net income by \$6.7 million and \$6.8 million, or \$0.08 per diluted share for 2012 and 2011.
- (b) 2012 included charges totaling \$103.6 million associated with the acceleration of pension expense related to participant settlements (\$56.4 million), store closures in the U.S. (\$41.0 million), and severance and other charges (\$6.2 million) primarily related to restructurings in the Canada, Australia, New Zealand and U.S. contract business. 2011 included charges totaling \$20.5 million associated with store closures in the U.S. (\$5.6 million) and severance charges (\$14.9 million) related to reorganizations in the Canada, Australia, New Zealand and U.S. sales and supply chain organizations. The effect of these items reduced net income by \$64.0 million and \$13.7 million or \$0.73 and \$0.16 per diluted share, for 2012 and 2011, respectively.
- (c) 2012 included a non-cash gain of \$670.8 million related to an agreement that legally extinguished the Company's non-recourse debt guaranteed by Lehman Brothers Holdings, Inc. The gain increased net income available to OfficeMax common shareholders by \$416.9 or \$4.77 per diluted share.

OFFICEMAX INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
NON-GAAP RECONCILIATION - SALES  
(unaudited)  
(millions)

	Quarter Ended		
	December 29, 2012	December 31, 2011	Percent Change
Sales as reported	\$ 1,700.5	\$ 1,835.8	-7.4%
Adjustment for favorable impact of change in foreign exchange rates (a)	\$ (13.5)	\$ —	
Sales adjusted for impact of change in foreign exchange rates	\$ 1,687.0	\$ 1,835.8	-8.1%
Adjustment for impact of 53rd week (b)	\$ —	\$ (86.3)	
Adjustment for same store and shift in weeks (c)	\$ (6.1)	\$ (22.8)	
Sales adjusted for impact of change in foreign exchange rates and adjustment for same stores and shift in weeks	<u>\$ 1,680.9</u>	<u>\$ 1,726.7</u>	-2.7%
	Year Ended		
	December 29, 2012	December 31, 2011	Percent Change
Sales as reported	\$ 6,920.4	\$ 7,121.2	-2.8%
Adjustment for unfavorable impact of change in foreign exchange rates (a)	\$ 15.2	\$ —	
Sales adjusted for impact of change in foreign exchange rates	\$ 6,935.6	\$ 7,121.2	-2.6%
Adjustment for impact of 53rd week (b)	\$ —	\$ (86.3)	
Adjustment for same store and shift in weeks (c)	\$ (40.7)	\$ (81.6)	
Sales adjusted for impact of change in foreign exchange rates and adjustment for same stores and shift in weeks	<u>\$ 6,894.9</u>	<u>\$ 6,953.2</u>	-0.8%

Note: Totals may not sum down due to rounding.

- (a) Computed by assuming constant currency exchange rates between periods.
- (b) Adjustment for the impact of the 53rd week of sales in 2011.
- (c) Impact from stores closed and opened during 2012 and 2011 and the shift in calendar weeks resulting from reporting 53 weeks in fiscal 2011.

**OfficeMax 4<sup>th</sup> Quarter 2012 Earnings Call Script****February 20, 2013****Safe Harbor**

Certain statements made in this script constitute “forward-looking statements” within the meaning of the federal securities laws. Management believes that these forward-looking statements are reasonable. However, the company cannot guarantee that actual results will be consistent with the forward-looking statements and you should not place undue reliance on them. These statements are based on current expectations and speak only as of February 20, 2013. The company undertakes no obligation to publicly update or revise any forward-looking statement. Important factors which may cause results to differ from expectations are included in the company’s Annual Report on Form 10-K and in the company’s other filings with the SEC.

**Introduction**

2012 was a year of execution for OfficeMax. We delivered significant progress on our strategic plan, which resulted in meaningful margin improvement during the year. In fact, full year 2012 gross margin increased 40 basis points and adjusted operating income margin improved 30 basis points from 2011, despite not getting any tailwind from the economy.

As part of our strategic plan, we committed to strengthening our foundation in 2012. Our strategic plan is built on three pillars: (1) operational turnaround, (2) balance sheet management and (3) disruptive and innovative moves. Let me walk you through a few highlights of our progress against each pillar.

Beginning with the operational turnaround of our core business, our team made tangible progress this past year:

- Full Year 2012 adjusted operating income was up 18 percent, adjusted operating margin was up 30 basis points, adjusted EPS was up 26 percent, and cash from operations was \$185 million, which was more than triple the prior year.
- Additionally, we achieved top-line, profitable growth within our Contract business and made progress in growing our ecommerce initiatives and key growth adjacencies.
- We aggressively optimized our U.S. retail store network and refined our technology offering to address customer needs for consumption versus creation of information.
- Finally, we continued to focus on cost-reduction initiatives and expense controls while prudently managing capital expenditures.

Moving to our second pillar – improving our balance sheet – we made excellent progress, after completing our comprehensive review.

- We’ve extinguished the non-recourse Lehman-backed timber notes liability.

- We reduced our pension liability by making lump sum buyouts to thousands of pension plan participants.
- With respect to non-core assets, last week we monetized a portion of our equity in Boise for \$112 million and received a dividend of \$17.0 million while retaining ownership of our 20% voting interest in Boise. We continue the process of assessing whether there is third-party interest in Croxley that achieves our value expectations. Of course, the final outcome from explorations regarding all these matters has been guided by whether such decisions drive appropriate value for our shareholders.
- Finally, we generated strong cash flow from operations.
- As we were able to stabilize the business in 2012 and gain traction on the strategic plan, we reinstated the quarterly dividend to express our confidence in the future of OfficeMax.

Finally, our third pillar, innovative and disruptive moves. As we have discussed before, we need to evolve our business model, identify new service and product categories to drive growth and, importantly, to differentiate our brand. Our management team is squarely focused on this evolution, and in 2012 we delivered a number of foundational elements:

- Emphasis was placed on high-margin services to build on our strong foundation of Impress Print and Document Services and Control Center, our in-store technology and computer support offering; and plans are rolling out now to launch a series of unique service offerings to address the needs of business customers shopping our stores, such as Godaddy.com web design and hosting, and Mi-Media cloud service solutions, both of which launched last month. We expect to continue our introduction of unique, higher-margin business services throughout 2013.
- We remain on track to launch a handful of innovative smaller stores in the first half of 2013 focused on meeting the needs of small business.
- We fully embraced a multi-channel approach, where we empower all customers to define how best to connect with us, helping us to build even deeper customer connections. And finally, we are arming our associates with training and leveraging the talents and passion of our people to focus on the unique needs of our customers.

So with that backdrop, here's what we plan to cover here...

- First, highlights from the fourth quarter and full year as well as an update on some of our key initiatives.
- Then, we will walk through the financial details of the quarter.

For the fourth quarter, consolidated sales were 7.4% lower than prior year on a reported basis, including the tough comparison to an extra week of operations in 2011, and adjusted sales were 2.7% lower than prior year. Sales volumes in our U.S. business declined throughout the quarter as economic uncertainty persisted and our customers remained cautious in their spending. On a positive note, our operational turnaround initiatives continue to result in margin growth. For the fourth quarter, gross margin was up 90 basis points, and adjusted operating income margin held steady at 1.7% compared to the fourth quarter of 2011.

Also, during the fourth quarter, our teams executed well during the holiday season, particularly in our ecommerce businesses, which saw improved traffic and conversion rates.

## **Contract**

Let's turn to our Contract segment performance.

U.S. contract segment sales during the fourth quarter excluding the impact of the extra week in 2011, declined 2.8%. We believe we're executing well at what we can control, however economic uncertainty continues to have a lasting effect on our customers' behaviors toward spending. Our net win-to-loss metric was positive for the seventh quarter in a row, and we maintained a record high quarterly retention rate of 93%. Additionally, we continued to make good progress with our important small business growth adjacency, where we aim to be the trusted business advisor for the small business customer, and we recently decided to expand our operations into two additional markets, bringing our total to 12.

Not surprisingly, product and service adjacencies in U.S. Contract have been growing faster than the traditional office supply categories such as paper and toner. Although we actually grew paper sales in 2012, we believe industry demand for paper and related supplies will continue to decline slightly over time. Four targeted growth categories: Print and Document Services, Interiors and Furniture, Facilities Products, and Technology, represent roughly one quarter of our U.S. Contract sales. Our sales force is trained and motivated to cross-sell these adjacent categories. We have a strategy to significantly grow these categories and solutions over the next few years, which we expect to more than offset any declines in traditional office products.

Further impacting our contract business was an international sales decline of 2.6% in local currencies versus the prior year primarily due to softness in Canadian sales. On a positive note, Australian sales versus the prior year period turned positive in the fourth quarter. Our international Contract teams continued to streamline and reduce operating expenses which has helped maintain strong profitability. As an example, we're consolidating our call center network in Canada from three centers, to two. We continue to believe the international business is core to our strategy, and remain focused on steering the business back to top-line growth.

Turning to our digital initiatives, these have been laying the foundation for a long runway of strong growth as we continue to make transformative changes to our website.

Our Digital team remained laser-focused on transforming our digital properties. Targeted investments to improve search, store pickup, expand our SKUs, streamline order flow and enrich content overall have positively impacted performance. To share some specific Digital highlights:

- Our improved search engine continues to drive results. We again saw double-digit traffic growth and sales growth on OfficeMax.com for the quarter and the year.
  - The same successful search engine we implemented for OfficeMax.com in 2012 will soon be implemented on our important B2B website platform, OfficeMaxWorkplace.com.
- We implemented a new user interface for OfficeMaxWorkplace.com, drawing heavily on our B2C experience to deliver an equally compelling online experience for our B2B customers.
- In November, we launched our Online Store Pickup, where customers can conveniently buy products online and pick them up in our stores. We've been able to successfully drive incremental customers to our stores with this service.
- We also introduced a pilot in-store kiosk in December, bringing an endless aisle of products to our customers.
- We added approximately 25% more SKUs available on officemax.com in 2012. One of our priorities is to continue to offer customers greater choice in products and solutions by continuing to include additional SKUs on OfficeMax.com.
- I am also pleased to report that our execution is being recognized by others as we received several prominent accolades:
  - OfficeMax.com was ranked the #1 top performing website among U.S. online electronics retailers by Keynote, during the busiest shopping week of the year.
  - Also, OfficeMax.com maintained the prestigious Gomez "Top 5" ranking for retail benchmark in web performance 9 months out of the year.

Overall, we remain pleased with our progress in the Contract business globally. For the full year, Contract segment income was \$102 million, an increase of 32% versus prior year; and segment income margin was 2.8%, a 70-basis-point improvement over prior year.

## **Retail**

Moving on to our Retail business...

Despite continued strong execution by our Retail team, fourth quarter U.S. sales comps declined 4.6%, primarily impacted by decreased sales in the technology category. To address challenges in the technology sector, and particularly in PCs, we have reset our go-to-market strategy for technology – narrowing our focus more sharply on the business customer and providing an appropriate level of product selection while managing inventory risk.

Our core furniture and supplies categories comped down low-single digits for the quarter, but were positive for the full year 2012. Continued economic uncertainty related to the ongoing debt ceiling, uncertainty about tax increases and overall government spending concerns continue to impact our customers and their discretionary spending habits. We believe the heightened focus on these issues during the fourth quarter drove a portion of our sales decline.

Retail gross profit margin was significantly higher for the quarter and the year, up 130 basis points for the quarter and up 70 basis points for the full year. This growth was a result of our prudent promotional activity and the sale of a larger mix of higher-margin products.

In the fourth quarter, we began to make important strides in delivering on our promise of a seamless experience across our network of retail, B2B and digital channels – giving all of our customers choices for what, where and how they buy. We continued to extend attractive promotional offers to our customers, and we continue to work on marketplace price perception across our channels.

Our in-store services also performed well again in the fourth quarter. Impress Print and Document Services comped positive, and we're pleased with the volume and growth we are seeing with Control Center.

Although we are confident in our Retail strategic road map and the improvements in our day-to-day Retail execution, we continue to face industry-wide structural challenges. Therefore, we plan to be more aggressive in driving three specific Retail initiatives.

We will continue to aggressively rationalize our store network, optimize our domestic retail store network and focus on strong cost controls in existing stores. We closed 46 stores in 2012 alone, and we have already removed nearly 6 million gross square feet of store space since the beginning of 2005. We continue to plan to have a total reduction of approximately 8 million gross square feet in store space over the time period spanning 2005 through 2015. These reductions are being achieved through closing unprofitable stores, relocating stores, and downsizing stores to a smaller footprint.

Second, we continue to focus our innovation efforts, which include looking for new categories to replace declining ones in our stores. We're excited about the recent launch of our expanded services uniquely designed to target a complete office solution for the small business customer, which builds on our strong foundation of Impress Print and Document Services and Control Center. We recently introduced an exclusive partnership with Godaddy.com to offer our customers web design and hosting services; and a partnership with MiMedia to offer cloud services to our small business customers. We expect to continue to add service offerings throughout 2013. We know that customers are more satisfied when engaged by a more knowledgeable sales associate...so we have invested the resources to extensively train our associates to sell these services.

Third, we have reset our go-to-market strategy for technology in order to address the evolving needs of our customers. Specifically, we are downsizing our PC assortment by more than half while adding popular tablet choices. We are also significantly increasing our training for store associates to enable them to provide the right solutions to our small business customers and increase attachment sales.

Moving to our Mexico retail operations, sales increased 0.4% on a local currency basis. Mexico continues to be a profitable growth adjacency to our business, and we opened another 3 stores in Mexico in the fourth quarter, bringing total stores in Mexico to 90.

## Financial Review

Let's now walk through the income statement highlights. Consolidated net sales in the fourth quarter of 2012 decreased 7.4% to \$1.7 billion compared to the prior year period.

As a reminder, the fourth quarter of 2011 included an additional fiscal week in our U.S. operations, which provided \$86 million of sales, \$8 million of operating income, and 6 cents per diluted share. The majority of the incremental revenues and virtually all of the incremental profit from the additional week were captured in the Retail segment.

Adjusted for currency translation, store closures and the impact of this extra week in 2011, the consolidated adjusted sales decline in Q4 was 2.7% versus prior year quarter.

Fourth quarter Contract segment sales were \$885 million, a decrease of 5.3% compared to the fourth quarter of 2011. In our U.S. Contract business, which is approximately 70% of our Contract segment, sales decreased 8.0% from the prior year's fourth quarter. These declines were due primarily to the \$35 million of incremental sales in the additional week in 2011. Excluding the additional week, Contract segment sales decreased 1.6%, and U.S. Contract sales decreased 2.8%.

- In the fourth quarter, continued net new sales – that is, sales to new customers exceeding lost sales to former customers – were more than offset by a 4.7% decline in sales to existing customers resulting from an uncertain economic environment and a modestly negative impact from Hurricane Sandy. We are pleased that net new sales were positive for the seventh consecutive quarter and we maintained a record quarterly retention rate.
- In Q4, sales in our International Contract business increased 0.9% in U.S. dollars, a decrease of 2.6% on a local currency basis compared to the fourth quarter of 2011. Sales in Canada remained weak, but our Australian team drove positive sales growth.

Fourth quarter retail segment sales decreased 9.5% to \$815 million compared to the fourth quarter of 2011, reflecting fewer stores and a 4.1% decrease in same-store sales on a local currency basis.

- U.S. Retail same-store sales decreased 4.6%. We experienced lower transaction counts and a high-single-digit comp decline in technology product category sales. Average ticket was higher despite significantly lower PC sales and disappointing demand for Windows 8. Our Furniture and Supplies categories comped down low-single digits, while ImPress print and copy services had positive comps in Q4.



- Also note that Retail segment sales in the fourth quarter of 2012 included a one-time incremental fiscal month of sales from our majority-owned joint venture in Mexico, as we discontinued reporting one month in arrears. Fourth quarter Mexico same-store sales increased 0.4% on a local currency basis.

OfficeMax gross margin was 25.4% for the fourth quarter, an increase of 90 basis points compared with the prior year period.

- Contract segment gross margin increased 60 basis points for the fourth quarter, primarily reflecting higher customer margins.
- Retail segment gross margin increased 130 basis points for the fourth quarter, primarily due to a sales mix shift from the relatively lower margin technology category and prudent promotional activity, partially offset by deleveraging of occupancy costs due to lower sales volume.

Adjusted total operating expense, which includes general & administrative expense, increased to 23.7% of sales in the fourth quarter of 2012, compared to 22.9% in the prior year quarter, but was \$16 million favorable on an absolute dollar basis.

- Contract segment operating, selling, and general and administrative expense was 20.2% of sales for the quarter, up from 19.2% in the fourth quarter of 2011. The increase was primarily due to continued investment in growth and profitability initiatives and higher incentive compensation expense.
- Retail segment operating, selling, and general and administrative expense was 26.2% of sales in Q4 2012 compared to 25.5% in the fourth quarter of 2011. The increase was due primarily to deleveraging of expenses due to lower sales volume.

Adjusted operating income margin of 1.7% in the fourth quarter of 2012 was in line with the prior year period. Year-over-year improvement in the Retail segment was offset by a decline in the Contract segment.

Corporate and Other segment operating expense was \$11.5 million in the fourth quarter of 2012 compared to \$10.8 million in the prior year period, resulting from increased legal fees and legacy costs, partially offset by lower pension expense.

For the fourth quarter of 2012, we recorded adjusted net income of \$13.9 million, or 16 cents per diluted share, compared to \$14.4 million, or 17 cents per diluted share in Q4 of last year, principally due to the 6 cents of benefit to earnings in 2011 resulting from inclusion of the 53<sup>rd</sup> week.

Please note that adjusted sales growth, adjusted operating income, adjusted net income and adjusted earnings per share are non-GAAP financial measures, which we reconcile to GAAP financials in the earnings press release.

Turning to the balance sheet.

At the end of the fourth quarter, we had cash and cash equivalents of \$495 million and total debt of \$236 million. Note that we had zero borrowings on our primary revolving credit facility, which had \$580 million of availability as of December 29, 2012.

Please bear in mind that the total debt excludes the \$735 million of non-recourse debt shown on our GAAP balance sheet, which is secured by a note receivable and backed by a Wells Fargo guarantee. As we've said in the past, and as demonstrated by the recent extinguishment of the Lehman-backed liability from our balance sheet, due to the non-recourse nature of this debt, in order to reflect OfficeMax's obligations accurately, we, as well as third parties, such as the two major credit rating agencies, exclude this debt from the calculation of various financial metrics and ratios used to assess the valuation of the company.

Turning to our frozen pension plans...

As part of a comprehensive review of our balance sheet, certain participants in our legacy pension plans were offered lump sum payouts this quarter to lower the plan's liability and mitigate volatility in the level of funding. The eligible participants accounted for approximately one quarter of total plan liabilities. We are pleased that more than half of eligible participants elected lump sum payments. During Q4 associated payments of \$150 million were paid and funded from the pension plan assets, reducing the pension benefit obligation liability by approximately \$190 million, thereby positively impacting the underfunded level by approximately \$40 million in isolation. This action resulted in a one-time, non-cash charge of \$56 million.

The underfunded level of our pension plans declined to \$301 million as of the end of Q4 compared to \$330 million as of the end of 2011, despite a full percentage point decrease in the discount rate used to determine the pension benefit obligation liability, or PBO. The discount rate is based on the market yield of investment-grade corporate bonds and has an inverse relationship to the PBO. Rates have declined significantly over the past four years. If the discount rate would have been 25 basis points higher at year end, our PBO of approximately \$1.3 billion would have been \$32 million lower; and a 100 basis point higher rate would have translated to a \$119 million lower PBO.

Now turning to our investment in Boise Cascade Holdings. On February 12, 2013, OfficeMax received approximately \$129 million in cash proceeds from our October 2004 investment in Boise Cascade Holdings, L.L.C. Since 2004, OfficeMax has held two classes of securities in Boise, non-voting equity securities designated as "Series A Units" and voting equity securities designated as "Series B Units". Boise redeemed all of the Series A Units held by OfficeMax for \$112 million, equal to our original investment amount of \$66 million plus \$46 million of total accrued dividends. As previously disclosed, OfficeMax had been recording income earned from the 8% annual dividend yield on the Series A Units as a reduction of operating, selling and general and administrative expenses in its Corporate & Other segment. This dividend income ceased upon completion of the redemption of the Series A Units on February 12, 2013.

OfficeMax will continue to hold a 20.4% ownership interest in the Series B Units of Boise, which do not accrue any dividend. OfficeMax has accounted for the Series B Units under the cost method as a \$109 million investment on its consolidated balance sheet since October 2004. Boise paid a distribution of approximately \$85 million on February 12, 2013 to the holders of its Series B Units, of which OfficeMax's share of proceeds was approximately \$17 million.

Following the redemption of the Series A Units and the distribution on the Series B Units, Boise will continue to hold approximately \$28 million of cash and own 29,700,000 common shares of Boise Cascade Company (NYSE: BCC), which completed its initial public stock offering on February 11, 2013. OfficeMax's continued ownership of Series B Units of Boise represents an indirect interest of approximately 6 million shares or approximately 14% of the common equity of Boise Cascade Company.

Now, turning to working capital, inventories at the end of the fourth quarter were slightly lower versus levels at the end of the prior year period. Accounts receivable at the end of the fourth quarter were \$30 million lower than the prior year period primarily due to a lower vendor receivables balance. Accounts payable at the end of the fourth quarter were \$45 million higher than the prior year period, primarily reflecting the timing of certain purchases and payments and the impact of foreign currency translation.

Looking at cash flow, we generated \$185 million of cash from operations in the full year 2012, compared to \$54 million in the prior year. The increase primarily reflects favorable working capital changes. We benefitted at both the beginning and end of the year from the timing of subsequent collections of 2011 vendor receivables in the beginning of 2012, and the deferral of 2012 vendor payments into 2013 as we worked through some late reconciliation issues that have subsequently been resolved. As part of this working capital favorability, keep in mind that there was minimal payout of incentive compensation expense in 2012, reflecting our 2011 performance. Incentive compensation cash payments totaled \$8 million in 2012 compared to \$55 million in 2011.

Capital expenditures, which were funded by cash from operations, totaled \$39 million in fourth quarter and \$87 million for the full year 2012. This capital was primarily used for investments related to our growth initiatives, software enhancements and infrastructure improvements, as well as 10 new stores in Mexico.

Now turning to our outlook...

We remain focused on containing costs, while at the same time continuing to invest in our strategic growth adjacencies.

Sales declines continued in January, and for the first quarter of 2013...

- We anticipate that total company sales will be lower than, the first quarter of 2012 including the anticipated favorable impact of foreign currency translation.
- We also anticipate that for the first quarter of 2013, operating income margin will be slightly lower than the adjusted margin of 2.3% for the prior year period, including the negative impact from the lapsing of a retail lease non-cash income item of nearly \$3 million related to the OfficeMax-Boise merger in 2003, as well as \$1 million less dividend income than the prior year period due to the mid-quarter redemption of our former investment in Series A Common Units issued by Boise Cascade Holdings L.L.C.
- With respect to consolidated gross margin, we expect a higher gross margin rate for the first quarter compared to the 25.8% rate in the prior year period, despite the discontinuation, as of the end of 2012, of an approximately \$3 million quarterly non-cash retail store occupancy income item that we had enjoyed since the merger of Boise and OfficeMax in 2003.
- We expect SG&A expense as a percentage of revenue to be higher than the first quarter of 2012, primarily due to continued investment in growth and profitability initiatives and discontinuation of dividend income on the Series A securities.

For the full year 2013...

- We anticipate that total company sales for the year will be in line with the prior year, including the anticipated favorable impact of foreign currency translation, as we continue to drive sales in adjacent products and services, and despite continued reductions in U.S. retail square footage.
- Operating income margin for the full year 2012 is anticipated to be in line with the adjusted margin of 2.0% for the prior year, despite the negative impact of \$11 million from the lapsing of the retail lease non-cash income item related to the 2003 merger, as well of the discontinuation of dividend income due to the redemption of the Series A Common Units. Note that OfficeMax realized approximately \$8 million of operating income in 2012 from the Boise dividend.
- With respect to consolidated gross margin, we expect a slightly higher rate for the full year as compared to the 25.8% rate for 2012 despite discontinuation of the previously mentioned non-cash retail store occupancy income item. Until late in 2013, our gross margins should continue to benefit from our COGS initiative and a sales mix shift from fewer sales from technology category sales on the Retail side of our business due to adjustments in our offering that we mentioned earlier. Also note that we expect year-over-year fuel-related costs to be roughly neutral to gross margin this year based on the U.S. Department of Energy forecasts.
- We expect full year adjusted SG&A expense as a percentage of revenue to be higher than 2012 primarily due to continued investment in growth and profitability initiatives and discontinuation of dividend income on the Series A securities.

Our outlook also includes the following assumptions for full year 2013:

- Capital expenditures of approximately \$100 to \$125 million, primarily related to investments in IT, ecommerce, infrastructure and maintenance;
- Depreciation and amortization of approximately \$75 to 85 million;
- Cash contributions to the frozen pension plans of approximately \$3 million;
- Pension expense of approximately \$3 million;
- Interest expense of approximately \$65-69 million and interest income of approximately \$42-45 million;
- An effective tax rate of approximately 34%;
- Cash flow from operations exceeding capital expenditures;
- A net reduction in Retail square footage for the year, with 5-10 store closures and several new-format store openings in the U.S.; and
- 6 expected store openings in Mexico.

## Recap

We are proud of the progress made as a team in 2012, which includes the following accomplishments:

- Completed creating a cohesive world-class management team;
- Expanded adjusted operating income margin by 30 basis points to 2.0%;
- Achieved a record customer retention rate of 93% in our U.S. Contract business;
- Achieved the highest net new sales in U.S. Contract in five years;
- Gained momentum in product and service growth adjacencies;
- Significantly improved capabilities of all OfficeMax websites;
  - Achieved double-digit sales growth on OfficeMax.com and launched online store pickup to advance our multichannel offering;
- Continued to aggressively rationalize our U.S. Retail store footprint, including removing approximately 1 million square feet;
- Strong cash flow from operations, significantly higher than capex;
- Reinstated the quarterly dividend after a nearly four year suspension;
- Lehman backed Timber Notes were removed from the balance sheet, significantly improving book value and optics; and
- Executed lump sum payouts to pension participants significantly reducing the liability and improving the underfunded level.

In addition, we're very pleased to have monetized a portion of our investment in Boise Cascade, L.L.C. earlier this month.

Ultimately, our long-term objective for our strategic plan remains unchanged – achieve peak operating margins, restore top-line growth and improve return on invested capital (ROIC), and we believe we are executing on the right strategy to accomplish this goal. To that end, our priorities for 2013 are:

- We will continue to focus on strengthening our core business;

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- We will continue to focus on controlling our cost levers;
  - We will continue to invest and develop our growth adjacencies;
  - Innovation is key to our success and it will become a core competency within our company; and
  - Finally, we will focus on customer centricity to drive growth through deeper customer understanding and insights.

There is much work to do, but we are excited about our initiatives and the results they are starting to produce. Our teams are working hard every day and as a company and we are gaining momentum.