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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: November 5, 2013  
Date of earliest event reported: November 5, 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 November 5, 2013, OfficeMax Incorporated (the “Company”) issued a press release announcing its earnings for its third quarter ended September 28, 2013. In addition, OfficeMax expects to post further comments by its President and CEO, Ravi Saligram, and its SVP of Finance, Interim Chief Financial Officer and Chief Accounting Officer, Deb O’Connor, regarding its third quarter 2013 financial results. The comments will be available by visiting the SEC Filings section of the OfficeMax Investor Relations website at investor.officemax.com. The earnings release is attached hereto as Exhibit 99.1 and the commentary is 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 November 5, 2013

Exhibit 99.2 OfficeMax Incorporated Earnings Comments dated November 5, 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: November 5, 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 November 5, 2013
Exhibit 99.2	OfficeMax Incorporated Earnings Comments dated November 5, 2013

OfficeMax Incorporated  
263 Shuman Boulevard  
Naperville, IL 60563



## News Release

### Investor Contact

Mike Steele  
630 864 6826

### Media Contact

Julie Treon  
630 864 6155

For Immediate Release: November 5, 2013

## OFFICEMAX REPORTS THIRD QUARTER 2013 FINANCIAL RESULTS

- *Results Include Approximately \$72 Million of Cash Proceeds From Boise Cascade Holdings, L.L.C. Received in July*
- *Maintains Good Quarterly Customer Retention Rate in U.S. Contract*
- *Double-Digit Sales Growth for OfficeMax.com*
- *Continues Executing In-Store Services Strategy*

Naperville, Ill. – OfficeMax® Incorporated (NYSE:OMX), a leading provider of office and facility supplies, technology and services, today announced the results for its fiscal third quarter ended September 28, 2013.

## Consolidated Results

### Reported Results

Total sales were \$1,664.9 million in the third quarter of 2013, as compared to \$1,744.6 in the third quarter of 2012. For the third quarter of 2013, OfficeMax reported operating income of \$66.8 million compared to operating income of \$33.5 million in the third quarter of 2012; and net income available to OfficeMax common shareholders of \$30.4 million, or \$0.34 per diluted share, compared to \$433.0 million, or \$4.92 per diluted share in the third quarter of 2012.

### Adjusted Results

“In the third quarter, we continued to experience soft sales overall and weak margins within our Contract business, due to a competitive global environment,” said Ravi Saligram, President and CEO of OfficeMax. “However, through our strategic initiatives, we continue to lay the foundation for evolving our business model. We believe that these initiatives, in combination with the anticipated annual cost synergies from our pending merger with Office Depot, will position the combined company well for success.”

Consolidated (in millions, except per-share amounts)	3Q13	3Q12	YTD13	YTD12
Sales	\$1,664.9	\$1,744.6	\$4,964.6	\$5,219.9
Sales decline (from prior year period)	-4.6%		-4.9%	
Adjusted sales decline (from prior year period)*	-3.4%		-3.9%	
Gross profit	\$ 417.5	\$ 460.4	\$1,263.8	\$1,352.7
Gross profit margin	25.1%	26.4%	25.5%	25.9%
Adjusted operating income*	\$ 28.4	\$ 42.7	\$ 61.6	\$ 104.8
Adjusted operating income margin*	1.7%	2.4%	1.2%	2.0%
Adjusted net income available to OfficeMax common shareholders*	\$ 13.6	\$ 22.2	\$ 25.5	\$ 50.7
Adjusted diluted income per common share*	\$ 0.15	\$ 0.25	\$ 0.29	\$ 0.58

\* 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.

Excluding the impact of changes in foreign exchange rates, the impact of stores closed and opened, and the difference in the number of business days in the quarter compared to the same quarter last year, adjusted sales for the third quarter of 2013 decreased 3.4% from the third quarter of 2012.

For the third quarter of 2013, adjusted operating income was \$28.4 million, or 1.7% of sales, compared to \$42.7 million, or 2.4% of sales, in the third quarter of 2012; and adjusted net income available to OfficeMax common shareholders was \$13.6 million, or \$0.15 per diluted share, compared to \$22.2 million, or \$0.25 per diluted share, in the third quarter of 2012.

The third quarter of 2013 adjusted figures in the preceding paragraph exclude income of \$47.7 million for the recognition of deferred gains related to OfficeMax's investment in Boise Cascade Holdings, L.L.C. and dividend income of \$25.4 million related to OfficeMax's voting securities held in Boise Cascade Holdings, L.L.C. reflected in the Corporate and Other segment, as well as charges of \$30.5 million in our Corporate and Other segment for certain costs related to our pending merger with Office Depot, and charges of \$4.1 million associated with store closures in the U.S. The third quarter of 2012 adjusted figures exclude a non-cash gain of \$670.8 million related to the extinguishment of non-recourse debt guaranteed by Lehman Brothers Holdings, Inc. and \$11.4 million of expenses to impair fixed assets associated with certain stores and to record a change in the estimated lease obligation of a previously closed store in the U.S. The third quarter of 2012 adjusted figures also exclude \$2.2 million of dividend income from the investment in Boise Cascade Holdings, L.L.C. Series A Units, which were subsequently redeemed in the first quarter of 2013. The net effect of these items increased net income by \$16.7 million, or \$0.19 per diluted share, for the third quarter of 2013, and increased net income by \$410.7 million, or \$4.67 per diluted share, for the third quarter of 2012.

### Contract Segment Results

Contract segment sales decreased 4.4% compared to the prior year period to \$841.9 million in the third quarter of 2013. This decrease reflected a U.S. Contract operations sales decrease of 3.6% and an international Contract operations sales decrease of 6.5% in U.S. dollars (a decrease of 0.8% on a local currency basis). The U.S. Contract performance reflects weaker sales to existing corporate accounts.

<u>Contract (in millions)</u>	<u>3Q13</u>	<u>3Q12</u>	<u>YTD13</u>	<u>YTD12</u>
Sales	\$841.9	\$880.9	\$2,612.8	\$2,720.3
<i>Sales decline (from prior year period)</i>	-4.4%		-4.0%	
Gross profit margin	20.7%	22.8%	21.8%	22.5%
Segment income	\$ 8.8	\$ 26.5	\$ 41.3	\$ 79.3
Segment income margin	1.0%	3.0%	1.6%	2.9%

Contract segment gross profit margin decreased to 20.7% in the third quarter of 2013 from 22.8% in the third quarter of 2012, primarily reflecting lower customer margins in U.S. Contract and International Contract. Contract segment operating, selling and general and administrative expenses as a percentage of sales decreased to 19.6% in the third quarter of 2013 from 19.8% in the third quarter of 2012 primarily due to lower incentive compensation expense and net favorable legal and sales tax settlements, partially offset by continued investments in growth and profitability initiatives. Contract segment income was \$8.8 million, or 1.0% of sales, in the third quarter of 2013 compared to \$26.5 million, or 3.0% of sales, in the third quarter of 2012.

### Retail Segment Results

Retail segment sales in the third quarter of 2013 decreased 4.7% to \$823.0 million compared to the third quarter of 2012, reflecting a same-store sales decrease on a local currency basis of 2.8% primarily due to decreased traffic and lower technology product category sales. The decrease reflected a U.S. Retail operations same-store sales decrease of 2.8%, and a Mexico retail operations same-store sales decrease of 2.2% on a local currency basis.

<u>Retail (in millions)</u>	<u>3Q13</u>	<u>3Q12</u>	<u>YTD13</u>	<u>YTD12</u>
Sales	\$823.0	\$863.7	\$2,351.8	\$2,499.6
<i>Same-store sales decline on a local currency basis</i>	-2.8%		-4.0%	
Gross profit margin	29.6%	30.0%	29.6%	29.6%
Segment income	\$ 26.2	\$ 27.7	\$ 44.4	\$ 53.4
Segment income margin	3.2%	3.2%	1.9%	2.1%

Retail segment gross profit margin decreased to 29.6% in the third quarter of 2013 from 30.0% in the third quarter of 2012 primarily reflecting an expiration of favorable purchase accounting for leases as of the end of fiscal 2012, and deleveraging of occupancy costs due to lower sales. Retail segment operating, selling and general and administrative expenses as a percentage of sales decreased to

26.4% in the third quarter of 2013 from 26.8% in the third quarter of 2012, primarily due to favorable sales and property tax settlements, lower store payroll expense, and reduced advertising expenses. Retail segment income was \$26.2 million, or 3.2% of sales, in the third quarter of 2013 compared to \$27.7 million, or 3.2% of sales, in the third quarter of 2012.

OfficeMax ended the third quarter of 2013 with a total of 921 Retail stores, consisting of 828 Retail stores in the U.S. and 93 Retail stores in Mexico. During the third quarter of 2013, OfficeMax closed 15 stores and opened one store in the U.S.; and opened three stores 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 \$6.7 million in the third quarter of 2013 compared to \$11.5 million in the third quarter of 2012 primarily due to favorable sales tax settlements and cost reductions in the third quarter of 2013.

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

As of September 28, 2013, OfficeMax had total debt of \$232.4 million, excluding \$735.0 million of non-recourse debt related to the Wells Fargo-backed timber notes.

During the first nine months of 2013, OfficeMax generated \$85.2 million of cash flow from operations and invested \$65.3 million in capital expenditures. In July of 2013, OfficeMax received a \$71.8 million distribution from Boise Cascade Holdings, L.L.C. of which \$25.4 million was recorded as dividend income and included in cash provided by operations, and the remaining \$46.4 million was recorded as a reduction in the carrying value of the Boise investment and classified as cash provided by investment.

In July of 2013, OfficeMax paid a special dividend to common shareholders of \$130.7 million in cash.

### **Merger Update**

On February 20, 2013, OfficeMax and Office Depot announced their entry into an agreement to combine their companies in a merger of equals. On July 10, 2013, stockholders of both companies approved the merger. The companies received FTC clearance for the merger on November 1, 2013 and expect to close the transaction after market close on November 5, 2013. Additional information about the merger process can be found in the "Investors" section of the OfficeMax website.

### **Additional Comments**

OfficeMax expects to post further comments by its President and CEO, Ravi Saligram, and its SVP of Finance, Interim Chief Financial Officer and Chief Accounting Officer, Deb O'Connor, regarding its third quarter 2013 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, print and document services, technology products and solutions, and furniture to businesses and consumers. OfficeMax consumers and business customers are served by approximately 28,000 associates through [OfficeMax.com](http://OfficeMax.com); [OfficeMaxWorkplace.com](http://OfficeMaxWorkplace.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 2013 World's Most Ethical Companies, and is the only company in the office supply industry to receive Ethics Inside® 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).

*All trademarks, service marks and trade names of OfficeMax Incorporated used herein are trademarks or registered trademarks of OfficeMax Incorporated. Any other product or company names mentioned herein are the trademarks of their respective owners.*

## **FORWARD-LOOKING STATEMENTS**

Certain statements made in this document and other written or oral statements made by or on behalf of OfficeMax and Office Depot constitute “forward-looking statements” within the meaning of the federal securities laws, including statements regarding both companies’ future performance, as well as management’s expectations, beliefs, intentions, plans, estimates or projections relating to the future. OfficeMax and Office Depot cannot guarantee that the macroeconomy will perform within the assumptions underlying their respective projected outlook; that their respective initiatives will be successfully executed and produce the results underlying their respective 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 their respective actual results will be consistent with the forward-looking statements and you should not place undue reliance on them. In addition, forward-looking statements could be affected by the following additional factors, among others, related to the business combination: the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement or the failure to satisfy closing conditions; the risk that the synergies from the transaction may not be realized, may take longer to realize than expected, or may cost more to achieve than expected; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; the ability to successfully integrate the businesses; unexpected costs or unexpected liabilities that may arise from the transaction, whether or not consummated; the inability to retain key personnel; future regulatory or legislative actions that could adversely affect OfficeMax and Office Depot; and business plans of the customers and suppliers of OfficeMax and Office Depot. The forward-looking statements made herein are based on current expectations and speak only as of the date they are made. OfficeMax and Office Depot undertake 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 OfficeMax and Office Depot that may cause results to differ from expectations are included in the companies’ respective Annual Reports on Form 10-K for the year ended December 29, 2012, under 1A “Risk Factors”, and in the companies’ other filings with the SEC.

## **ADDITIONAL INFORMATION AND WHERE TO FIND IT**

This communication is not intended to and does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy or an invitation to purchase or subscribe for any securities in any jurisdiction in connection with the proposed merger of OfficeMax with Office Depot or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. Office Depot has filed with the SEC a registration statement on Form S-4 that includes a definitive Joint Proxy Statement of Office Depot and OfficeMax that also constitutes a definitive prospectus of Office Depot. The registration statement was declared effective by the SEC on June 7, 2013. OfficeMax and Office Depot mailed the definitive Joint Proxy Statement/Prospectus to their respective shareholders in connection with the transaction on or about June 10, 2013. **INVESTORS AND SHAREHOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC CAREFULLY BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT OFFICE DEPOT, OFFICEMAX, THE TRANSACTION AND RELATED MATTERS.** Investors and shareholders are able to obtain free copies of the definitive Joint Proxy Statement/Prospectus and other documents filed with the SEC by OfficeMax and Office Depot through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). In addition, investors and shareholders are able to obtain free copies of the definitive Joint Proxy Statement/Prospectus and other documents filed by OfficeMax by contacting OfficeMax Investor Relations at 263 Shuman Blvd., Naperville, Illinois 60563 or by calling 630-864-6800, and are able to obtain free copies of the definitive Joint Proxy Statement/Prospectus and other documents filed by Office Depot with the SEC by contacting Office Depot Investor Relations at 6600 North Military Trail, Boca Raton, FL 33496 or by calling 561-438-7878.

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

	Quarter Ended	
	September 28, 2013	September 29, 2012
Sales	\$ 1,664,859	\$ 1,744,579
Cost of goods sold and occupancy costs	1,247,373	1,284,177
<b>Gross profit</b>	<b>417,486</b>	<b>460,402</b>
<b>Operating expenses:</b>		
Operating, selling and general and administrative expenses (a)	389,127	415,511
Asset impairments and other operating expenses (income), net (b)	(38,429)	11,432
Total operating expenses	350,698	426,943
<b>Operating income</b>	<b>66,788</b>	<b>33,459</b>
<b>Other income (expense):</b>		
Interest expense	(16,643)	(16,873)
Interest income	10,687	11,003
Gain on extinguishment of non-recourse debt (c)	—	670,766
Other income (expense), net	(97)	224
	<u>(6,053)</u>	<u>665,120</u>
<b>Pre-tax income</b>	<b>60,735</b>	<b>698,579</b>
Income tax expense	(28,400)	(263,331)
<b>Net income attributable to OfficeMax and noncontrolling interest</b>	<b>32,335</b>	<b>435,248</b>
Joint venture results attributable to noncontrolling interest	(1,448)	(1,740)
<b>Net income attributable to OfficeMax</b>	<b>30,887</b>	<b>433,508</b>
Preferred dividends	(507)	(522)
<b>Net income available to OfficeMax common shareholders</b>	<b>\$ 30,380</b>	<b>\$ 432,986</b>
<b>Basic income per common share:</b>	<b>\$ 0.35</b>	<b>\$ 5.00</b>
<b>Diluted income per common share:</b>	<b>\$ 0.34</b>	<b>\$ 4.92</b>
<b>Weighted Average Shares</b>		
Basic	87,239	86,661
Diluted	89,183	88,104

- (a) The third quarter of 2012 includes \$2.2 million of dividend income related to OfficeMax's non-voting securities held in Boise Cascade Holdings, L.L.C. The effect of the dividends increased net income by \$1.3 million, or \$0.02 per diluted share, for the third quarter of 2012.
- (b) The third quarter of 2013 includes income of \$47.7 million in our Corporate segment associated with our investment in Boise Cascade Holdings, L.L.C. for the partial recognition of the deferred gain from the 2004 sale of our paper, forest products and timberland assets and dividend income of \$25.4 million from the voting securities held in Boise Cascade Holdings, L.L.C. The third quarter of 2013 also includes charges of \$30.5 million in our Corporate segment for certain costs related to our pending merger with Office Depot, portions of which may not be deductible for tax purposes, and charges recorded in our Retail segment related to store closures in the U.S. of \$4.1 million. The net effect of these items increased net income by \$16.7 million, or \$0.19 per diluted share, for the third quarter of 2013. The third quarter of 2012 includes a charge to impair fixed assets associated with certain Retail stores in the U.S. and a charge related to a change in the estimated lease obligation of a closed domestic store. These items totaled \$11.4 million and reduced income available to OfficeMax common shareholders by \$7.0 million, or \$0.08 per diluted share, for the third quarter of 2012.
- (c) The third quarter of 2012 includes 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 \$416.4 million, or \$4.73 per diluted share, for the third quarter of 2012.

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

	Nine Months Ended	
	September 28, 2013	September 29, 2012
Sales	\$ 4,964,637	\$ 5,219,890
Cost of goods sold and occupancy costs	3,700,854	3,867,198
<b>Gross profit</b>	<b>1,263,783</b>	<b>1,352,692</b>
<b>Operating expenses:</b>		
Operating, selling and general and administrative expenses (a)	1,201,164	1,241,598
Asset impairments and other operating expenses (income), net (b)	(105,197)	36,698
Total operating expenses	1,095,967	1,278,296
<b>Operating income</b>	<b>167,816</b>	<b>74,396</b>
<b>Other income (expense):</b>		
Interest expense	(49,999)	(52,690)
Interest income	32,156	32,820
Gain on extinguishment of non-recourse debt (c)	—	670,766
Other income (expense), net	(274)	449
	<u>(18,117)</u>	<u>651,345</u>
<b>Pre-tax income</b>	<b>149,699</b>	<b>725,741</b>
Income tax expense	(68,661)	(272,251)
<b>Net income attributable to OfficeMax and noncontrolling interest</b>	<b>81,038</b>	<b>453,490</b>
Joint venture results attributable to noncontrolling interest	(2,843)	(3,345)
<b>Net income attributable to OfficeMax</b>	<b>78,195</b>	<b>450,145</b>
Preferred dividends	(1,514)	(1,581)
<b>Net income available to OfficeMax common shareholders</b>	<b>\$ 76,681</b>	<b>\$ 448,564</b>
<b>Basic income per common share:</b>	<b>\$ 0.88</b>	<b>\$ 5.18</b>
<b>Diluted income per common share:</b>	<b>\$ 0.86</b>	<b>\$ 5.12</b>
<b>Weighted Average Shares</b>		
Basic	87,063	86,526
Diluted	88,692	87,979

- (a) The first nine months of 2013 and 2012 include \$1.0 million and \$6.3 million, respectively, of dividend income related to OfficeMax's non-voting securities held in Boise Cascade Holdings, L.L.C. The dividend income ceased in the first quarter of 2013 upon redemption of those securities, therefore no additional dividend income was recorded in the second and third quarters of 2013. The effect of the dividends increased net income by \$0.6 million and \$3.8 million, or \$0.01 and \$0.05 per diluted share, for the first nine months of 2013 and 2012, respectively.
- (b) The first nine months of 2013 include income of \$137.5 million in our Corporate segment associated with our investment in Boise Cascade Holdings, L.L.C. for the partial recognition of the deferred gain, net of fees, from the 2004 sale of our paper, forest products and timberland assets and dividend income of \$25.4 million from the voting securities held in Boise Cascade Holdings, L.L.C. The first nine months of 2013 also include charges of \$49.1 million in our Corporate segment for certain costs related to our pending merger with Office Depot, portions of which may not be deductible for tax purposes, \$4.5 million of severance charges primarily related to reorganizations in our Contract segment sales and supply chain operations, and charges recorded in our Retail segment related to store closures in the U.S. of \$4.1 million. The first nine months of 2012 include a non-cash charge of \$9.8 million to impair fixed assets associated with certain stores in the U.S. and charges of \$26.9 million related to store closures in the U.S. The net effect of these items increased net income by \$50.6 million, or \$0.57 per diluted share for the first nine months of 2013 and reduced net income by \$22.4 million, or \$0.26 per diluted share, for the first nine months of 2012.
- (c) The first nine months of 2012 include 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 \$416.4 or \$4.73 per diluted share.

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

	September 28, 2013	December 29, 2012
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 504,201	\$ 495,056
Receivables, net	549,597	528,279
Inventories	697,724	812,454
Deferred income taxes and receivables	59,431	68,568
Other current assets	67,756	79,527
<b>Total current assets</b>	<b>1,878,709</b>	<b>1,983,884</b>
<b>Property and equipment:</b>		
Property and equipment	1,326,880	1,338,837
Accumulated depreciation	(997,420)	(986,611)
<b>Property and equipment, net</b>	<b>329,460</b>	<b>352,226</b>
Intangible assets, net	79,096	80,765
Investment in Boise Cascade Holdings, L.L.C.	40,896	175,000
Timber notes receivable	817,500	817,500
Deferred income taxes	50,240	108,759
Other non-current assets	232,785	266,181
<b>Total assets</b>	<b>\$ 3,428,686</b>	<b>\$ 3,784,315</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 573,838	\$ 699,636
Income taxes payable	1,369	4,222
Accrued liabilities and other	350,506	342,551
Current portion of debt	6,620	10,232
<b>Total current liabilities</b>	<b>932,333</b>	<b>1,056,641</b>
Long-term debt, less current portion	225,736	225,962
Non-recourse debt	735,000	735,000
<b>Other long-term obligations:</b>		
Compensation and benefits	342,569	365,568
Deferred gain on sale of assets	42,008	179,757
Other long-term liabilities	122,309	142,397
<b>Total other long-term liabilities</b>	<b>506,886</b>	<b>687,722</b>
<b>Noncontrolling interest in joint venture</b>	<b>62,062</b>	<b>44,617</b>
<b>Shareholders' equity:</b>		
Preferred stock	26,245	27,391
Common stock	218,585	217,209
Additional paid-in capital	1,011,080	1,018,667
Accumulated deficit	(150,220)	(91,373)
Accumulated other comprehensive loss	(139,021)	(137,521)
<b>Total shareholders' equity</b>	<b>966,669</b>	<b>1,034,373</b>
<b>Total liabilities and equity</b>	<b>\$ 3,428,686</b>	<b>\$ 3,784,315</b>

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

	Nine Months Ended	
	September 28, 2013	September 29, 2012
<b>Cash provided by operations:</b>		
Net income attributable to OfficeMax and noncontrolling interest	\$ 81,038	\$ 453,490
Non-cash items in net income:		
Deferred gain from investment in Boise Cascade Holdings, L.L.C.	(137,523)	—
Depreciation and amortization	55,930	55,704
Non-cash impairment charges	—	9,791
Non-cash gain on extinguishment of non-recourse debt	—	(670,766)
Deferred income tax expense	62,977	250,337
Other	46,398	29,456
Changes in operating assets and liabilities:		
Receivables	(18,886)	28,360
Inventories	108,787	69,038
Accounts payable and accrued liabilities	(136,012)	(22,625)
Current and deferred income taxes	(3,013)	12,810
Collection of dividends receivable related to investment in Boise Cascade Holdings, L.L.C.	46,137	—
Other	(20,609)	(57,765)
Cash provided by operations	85,224	157,830
<b>Cash provided by (used for) investment:</b>		
Expenditures for property and equipment	(65,285)	(48,173)
Return of investment in Boise Cascade Holdings, L.L.C.	134,104	—
Proceeds from sale of assets	3,833	1,667
Other	(997)	—
Cash provided by (used for) investment	71,655	(46,506)
<b>Cash used for financing:</b>		
Cash dividends paid	(136,934)	(2,792)
Changes in debt, net	(3,793)	(31,909)
Other	(3,315)	(1,005)
Cash used for financing	(144,042)	(35,706)
<b>Effect of exchange rates on cash and cash equivalents</b>	(3,692)	3,293
<b>Increase in cash and cash equivalents</b>	9,145	78,911
<b>Cash and cash equivalents at beginning of period</b>	495,056	427,111
<b>Cash and cash equivalents at end of period</b>	<u>\$ 504,201</u>	<u>\$ 506,022</u>

OFFICEMAX INCORPORATED AND SUBSIDIARIES  
 CONTRACT SEGMENT STATEMENTS OF INCOME  
 (unaudited)  
 (millions)

	Quarter Ended			
	September 28, 2013			September 29, 2012
Sales	\$ 841.9		\$ 880.9	
Gross profit	174.1	20.7%	200.9	22.8%
Operating, selling and general and administrative expenses	165.3	19.6%	174.4	19.8%
<b>Segment income</b>	<u>\$ 8.8</u>	<u>1.0%</u>	<u>\$ 26.5</u>	<u>3.0%</u>

Note: Totals may not sum down due to rounding.

	Nine Months Ended			
	September 28, 2013			September 29, 2012
Sales	\$ 2,612.8		\$ 2,720.3	
Gross profit	568.6	21.8%	612.3	22.5%
Operating, selling and general and administrative expenses	527.3	20.2%	533.0	19.6%
<b>Segment income</b>	<u>\$ 41.3</u>	<u>1.6%</u>	<u>\$ 79.3</u>	<u>2.9%</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 legacy operating items such as income associated with our investment in Boise Cascade Holdings, L.L.C. and certain other operating items such as store closure costs, costs related to our pending merger with Office Depot and severance charges, all of which are not indicative of our core operations.

OFFICEMAX INCORPORATED AND SUBSIDIARIES  
 RETAIL SEGMENT STATEMENTS OF INCOME  
 (unaudited)  
 (millions)

	Quarter Ended			
	September 28, 2013			September 29, 2012
Sales	\$ 823.0		\$ 863.7	
Gross profit	243.4	29.6%	259.5	30.0%
Operating, selling and general and administrative expenses	217.1	26.4%	231.8	26.8%
<b>Segment income</b>	<u>\$ 26.2</u>	<u>3.2%</u>	<u>\$ 27.7</u>	<u>3.2%</u>

Note: Totals may not sum down due to rounding.

	Nine Months Ended			
	September 28, 2013			September 29, 2012
Sales	\$ 2,351.8		\$ 2,499.6	
Gross profit	695.2	29.6%	740.4	29.6%
Operating, selling and general and administrative expenses	650.8	27.7%	687.0	27.5%
<b>Segment income</b>	<u>\$ 44.4</u>	<u>1.9%</u>	<u>\$ 53.4</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 legacy operating items such as income associated with our investment in Boise Cascade Holdings, L.L.C. and certain other operating items such as store closure costs, costs related to our pending merger with Office Depot and severance charges, all of which are not indicative of our core operations.

## 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, certain legacy operating items such as income associated with our Boise Investment, and certain other operating items such as store closure costs, costs related to our pending merger with Office Depot, and severance charges, all of which are not indicative of our core operations. 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					
	September 28, 2013			September 29, 2012		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
Sales	\$1,664.9	\$ —	\$1,664.9	\$1,744.6	\$ —	\$1,744.6
Cost of goods sold and occupancy costs	\$1,247.4	—	1,247.4	1,284.2	—	1,284.2
<b>Gross profit</b>	417.5	—	417.5	460.4	—	460.4
<b>Operating expenses:</b>						
Operating, selling and general and administrative expenses (a)	389.1	—	389.1	415.5	2.2	417.7
Asset impairments and other operating expenses (income), net (b)	(38.4)	38.4	—	11.4	(11.4)	—
Total operating expenses	350.7	38.4	389.1	426.9	(9.3)	417.7
<b>Operating income (loss)</b>	66.8	(38.4)	28.4	33.5	9.3	42.7
<b>Other income (expense):</b>						
Interest expense	(16.6)	—	(16.6)	(16.9)	—	(16.9)
Interest income	10.7	—	10.7	11.0	—	11.0
Gain on extinguishment of non-recourse debt (c)	—	—	—	670.8	(670.8)	—
Other expense, net	(0.1)	—	(0.1)	0.2	—	0.2
	(6.0)	—	(6.0)	665.1	(670.8)	(5.7)
<b>Pre-tax income (loss)</b>	60.7	(38.4)	22.3	698.6	(661.5)	37.1
Income tax expense	(28.4)	21.7	(6.7)	(263.3)	250.8	(12.6)
<b>Net income (loss) attributable to OfficeMax and noncontrolling interest</b>	32.3	(16.7)	15.6	435.2	(410.7)	24.5
Joint venture results attributable to noncontrolling interest	(1.4)	—	(1.4)	(1.7)	—	(1.7)
<b>Net income (loss) attributable to OfficeMax</b>	30.9	(16.7)	14.1	433.5	(410.7)	22.8
Preferred dividends	(0.5)	—	(0.5)	(0.5)	—	(0.5)
<b>Net income (loss) available to OfficeMax common shareholders</b>	\$ 30.4	\$ (16.7)	\$ 13.6	\$ 433.0	\$ (410.7)	\$ 22.2
<b>Basic income (loss) per common share:</b>	\$ 0.35	\$ (0.19)	\$ 0.16	\$ 5.00	\$ (4.74)	\$ 0.26
<b>Diluted income (loss) per common share:</b>	\$ 0.34	\$ (0.19)	\$ 0.15	\$ 4.92	\$ (4.67)	\$ 0.25
<b>Weighted Average Shares</b>						
Basic	87,239		87,239	86,661		86,661
Diluted	89,183		89,183	88,104		87,587

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

- (a) The third quarter of 2012 includes \$2.2 million of dividend income related to OfficeMax's non-voting securities held in Boise Cascade Holdings, L.L.C. The effect of the dividends increased net income by \$1.3 million, or \$0.02 per diluted share, for the third quarter of 2012.
- (b) The third quarter of 2013 includes income of \$47.7 million in our Corporate segment associated with our investment in Boise Cascade Holdings, L.L.C. for the partial recognition of the deferred gain from the 2004 sale of our paper, forest products and timberland assets and dividend income of \$25.4 million from the voting securities held in Boise Cascade Holdings, L.L.C. The third quarter of 2013 also includes charges of \$30.5 million in our Corporate segment for certain costs related to our pending merger with Office Depot, portions of which may not be deductible for tax purposes, and charges recorded in our Retail segment related to store closures in the U.S. of \$4.1 million. The net effect of these items increased net income by \$16.7 million, or \$0.19 per diluted share, for the third quarter of 2013. The third quarter of 2012 includes a charge to impair fixed assets associated with certain Retail stores in the U.S. and a charge related to a change in the estimated lease obligation of a closed domestic store. These items totaled \$11.4 million and reduced income available to OfficeMax common shareholders by \$7.0 million, or \$0.08 per diluted share, for the third quarter of 2012.
- (c) The third quarter of 2012 includes 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 \$416.4 million, or \$4.73 per diluted share, for the third quarter of 2012.



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

	Nine Months Ended					
	September 28, 2013			September 29, 2012		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
Sales	\$4,964.6	\$ —	\$4,964.6	\$5,219.9	\$ —	\$5,219.9
Cost of goods sold and occupancy costs	3,700.9	—	3,700.9	3,867.2	—	3,867.2
<b>Gross profit</b>	<b>1,263.8</b>	<b>—</b>	<b>1,263.8</b>	<b>1,352.7</b>	<b>—</b>	<b>1,352.7</b>
<b>Operating expenses:</b>						
Operating, selling and general and administrative expenses (a)	1,201.2	1.0	1,202.2	1,241.6	6.3	1,247.9
Asset impairments and other operating expenses (income), net (b)	(105.2)	105.2	—	36.7	(36.7)	—
Total operating expenses	1,096.0	106.2	1,202.2	1,278.3	(30.4)	1,247.9
<b>Operating income</b>	<b>167.8</b>	<b>(106.2)</b>	<b>61.6</b>	<b>74.4</b>	<b>30.4</b>	<b>104.8</b>
<b>Other income (expense):</b>						
Interest expense	(50.0)	—	(50.0)	(52.7)	—	(52.7)
Interest income	32.2	—	32.2	32.8	—	32.8
Gain on extinguishment of non-recourse debt (c)	—	—	—	670.8	(670.8)	—
Other income (expense), net	(0.3)	—	(0.3)	0.4	—	0.4
	(18.1)	—	(18.1)	651.3	(670.8)	(19.4)
<b>Pre-tax income</b>	<b>149.7</b>	<b>(106.2)</b>	<b>43.5</b>	<b>725.7</b>	<b>(640.4)</b>	<b>85.4</b>
Income tax expense	(68.7)	55.0	(13.6)	(272.3)	242.5	(29.7)
<b>Net income attributable to OfficeMax and noncontrolling interest</b>	<b>81.0</b>	<b>(51.2)</b>	<b>29.8</b>	<b>453.5</b>	<b>(397.8)</b>	<b>55.7</b>
Joint venture results attributable to noncontrolling interest	(2.8)	—	(2.8)	(3.3)	—	(3.3)
<b>Net income attributable to OfficeMax</b>	<b>78.2</b>	<b>(51.2)</b>	<b>27.0</b>	<b>450.1</b>	<b>(397.8)</b>	<b>52.3</b>
Preferred dividends	(1.5)	—	(1.5)	(1.6)	—	(1.6)
<b>Net income available to OfficeMax common shareholders</b>	<b>\$ 76.7</b>	<b>\$ (51.2)</b>	<b>\$ 25.5</b>	<b>\$ 448.6</b>	<b>\$ (397.8)</b>	<b>\$ 50.7</b>
<b>Basic income per common share:</b>	<b>\$ 0.88</b>	<b>\$ (0.59)</b>	<b>\$ 0.29</b>	<b>\$ 5.18</b>	<b>\$ (4.60)</b>	<b>\$ 0.59</b>
<b>Diluted income per common share:</b>	<b>\$ 0.86</b>	<b>\$ (0.58)</b>	<b>\$ 0.29</b>	<b>\$ 5.12</b>	<b>\$ (4.52)</b>	<b>\$ 0.58</b>
Basic	87,063		87,063	86,526		86,526
Diluted	88,692		88,692	87,979		87,458

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

- (a) The first nine months of 2013 and 2012 include \$1.0 million and \$6.3 million, respectively, of dividend income related to OfficeMax's non-voting securities held in Boise Cascade Holdings, L.L.C. The dividend income ceased in the first quarter of 2013 upon redemption of those securities, therefore no additional dividend income was recorded in the second and third quarters of 2013. The effect of the dividends increased net income by \$0.6 million and \$3.8 million, or \$0.01 and \$0.05 per diluted share, for the first nine months of 2013 and 2012, respectively.
- (b) The first nine months of 2013 include income of \$137.5 million in our Corporate segment associated with our investment in Boise Cascade Holdings, L.L.C. for the partial recognition of the deferred gain, net of fees, from the 2004 sale of our paper, forest products and timberland assets and dividend income of \$25.4 million from the voting securities held in Boise Cascade Holdings, L.L.C. The first nine months of 2013 also include charges of \$49.1 million in our Corporate segment for certain costs related to our pending merger with Office Depot, portions of which may not be deductible for tax purposes, \$4.5 million of severance charges primarily related to reorganizations in our Contract segment sales and supply chain operations, and charges recorded in our Retail segment related to store closures in the U.S. of \$4.1 million. The first nine months of 2012 include a non-cash charge of \$9.8 million to impair fixed assets associated with certain stores in the U.S. and charges of \$26.9 million related to store closures in the U.S. The net effect of these items increased net income by \$50.6 million, or \$0.57 per diluted share for the first nine months of 2013 and reduced net income by \$22.4 million, or \$0.26 per diluted share, for the first nine months of 2012.
- (c) The first nine months of 2012 include 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 \$416.4 or \$4.73 per diluted share.

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

	Quarter Ended		
	September 28, 2013	September 29, 2012	Percent Change
Sales as reported	\$ 1,664.9	\$ 1,744.6	-4.6%
Adjustment for unfavorable impact of change in foreign exchange rates (a)	\$ 11.5	\$ —	
Adjustment for the impact of closed and opened stores and the difference in business days from year-to-year for businesses reporting on a calendar basis (b)	\$ (10.2)	\$ (20.7)	
Sales adjusted for impact of change in foreign exchange rates, closed and opened stores and change in number of business days	<u>\$ 1,666.1</u>	<u>\$ 1,723.9</u>	-3.4%
	Nine Months Ended		
	September 28, 2013	September 29, 2012	Percent Change
Sales as reported	\$ 4,964.6	\$ 5,219.9	-4.9%
Adjustment for unfavorable impact of change in foreign exchange rates (a)	\$ 6.0	\$ —	
Adjustment for the impact of closed and opened stores and the difference in business days from year-to-year for businesses reporting on a calendar basis (b)	\$ (27.2)	\$ (73.3)	
Sales adjusted for impact of change in foreign exchange rates, closed and opened stores and change in number of business days	<u>\$ 4,943.5</u>	<u>\$ 5,146.6</u>	-3.9%

Note: Totals may not sum down due to rounding.

- (a) Computed by assuming constant currency exchange rates between periods.
- (b) Computed by reducing current year and prior year sales for stores opened or closed in the current or prior year and by adjusting prior year sales to reflect the same number of business days in the current year.

**OfficeMax 3rd Quarter 2013 Earnings Commentary****November 5, 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 the date they are made. 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 Securities and Exchange Commission.

**Introduction**

In the third quarter, sales declined, as expected, in a highly competitive and challenging global economic environment. Third quarter operating profitability was within OfficeMax’s stated expectations, with weak gross margin performance, especially in the Contract segment, partially offset by better expense management companywide. Reduced operating expenses, internationally and domestically, helped to mitigate the softer sales and lower gross margin.

OfficeMax remained focused on stemming the sales declines across the entire business. To advance that commitment, the company continued its focus on the operational turnaround of its business, and continued to evolve its product and service offerings and build deeper, more meaningful connections with its customers. In the third quarter, OfficeMax made tangible progress on a number of its strategic initiatives:

- The OfficeMax Business Solutions Centers are receiving positive feedback from both store associates and customers. These innovative small-format stores, located in business-dense urban locations, feature specially tailored business services, solutions and products delivered by expert associates to help local entrepreneurs grow their businesses. Over the past few months, OfficeMax has opened two additional OfficeMax Business Solutions Centers, including one in October. Both of these centers are located in the Chicago area, and bring the total number of centers to four.

- OfficeMax continued to drive multichannel initiatives and improve the capabilities of its digital properties.
- OfficeMax saw an increase in small and medium business accounts as a result of initiatives to grow share in this customer segment within the U.S. Contract business.
- OfficeMax continued the rollout of its in-store service offerings and introduced its new OfficeMax Services Center in stores nationwide to provide business owners with essential support for growth through a portfolio of more than 40 services.

## **Contract**

Sales in the U.S. Contract business, which includes the company's Digital initiatives, declined 3.6% during the third quarter due to a decline in sales to existing customers. As expected, overall sales declines to our enterprise/large customers in traditional office supply products, such as paper and toner, continued during the third quarter. Also note that the federal government sector, which represents less than 5% of the U.S. Contract business, continued to experience a decline in sales.

The U.S. Contract team maintained its greater than 92% quarterly customer retention rate despite efforts by competitors to aggressively target OfficeMax's customers in light of the pending merger with Office Depot. Our strong customer relationships and reputation for outstanding service have continued to serve us well. Also in the third quarter, the company achieved a positive rate of net new wins for the sixth time in the past seven quarters. The company was encouraged by the continuing positive customer renewal rate and further traction gained in growing certain adjacencies. However, the gross margin weakness in the quarter reflected lower customer margins due to a more competitive environment.

OfficeMax continued to focus on its growth adjacencies to expand its offering beyond traditional office supplies. In the third quarter, the company once again delivered double-digit growth in Facilities Products and Services. Additionally, OfficeMax delivered growth in its Print and Documents Services business, the result of a new go-to-market strategy initiated earlier this year.

The small and medium business (SMB) sales unit made good progress with new account acquisition in the small and medium business growth adjacency with continued increasing number of new accounts during the quarter.

International Contract sales and gross margin performance continued to struggle in the quarter. Weakness in Canada along with the weak government sector in Australia have been the significant drivers of underperformance, contributing to the decline in Contract segment gross profit margin for the quarter. The international teams have been reducing costs to align with market conditions.

Turning to our Digital initiatives, OfficeMax has been making strategic investments in its ecommerce platform, as the company continued to see tangible results from the transformative changes made to our websites.

Some Digital highlights for this quarter include:

- Implementation of four website releases across OfficeMax.com and OfficeMaxWorkplace.com, which are expected to benefit the user experience. Key highlights include enabling better visibility and flexibility with online promotions; and a platform upgrade to the OfficeMax.com site which brings new personalization capabilities, and improved efficiency and stability of the platform.
- Broadened the OfficeMax.com online product assortment, continuing to increase stock keeping units (SKUs) in selected categories.
- Continued to drive double-digit improvement in conversion rates.
- Increased utilization of Online Store Pickup, driving footsteps to stores. The offering continues to resonate with customers, as OfficeMax had the highest sales and order penetration this quarter in Online Store Pickup since launch last fall.
- And finally, for the seventh consecutive quarter, OfficeMax.com delivered double-digit sales growth –evidence that our investments are laying the foundation for success.

## **Retail**

Third quarter Retail sales comps declined 2.8%. OfficeMax had continued softness in tech and traditional paper and ink and toner product categories, while seeing growth in tech services and print and document services. The implementations made to manage costs have allowed the company to maintain profitability levels despite the sales volume decline.

During the back-to-school season, sales and marketing efforts focused on targeting the entire student spectrum – Kindergarten through college – with a one-stop-shop objective providing great value. OfficeMax bolstered a solid in-store marketing campaign with external marketing efforts in radio, preprint, digital, direct mail, email and social media. OfficeMax also brought back the very popular and successful weekly penny deals, and offered many values for less than one dollar. These efforts resulted in solid performance, including maintaining customer margin rates, and effectively managing inventory levels.

OfficeMax continued to focus on top-line sales, aiming to reverse the decline in comp store performance. A subset of the stores continued to experience single-digit positive sales comps in the third quarter, driven by core drivers that are part of our current strategy – associate engagement, services penetration, and overall customer satisfaction.

Driving traffic to stores remains a critical priority. One of the biggest initiatives during the quarter was the introduction of the new OfficeMax Services Center in our existing fleet of stores nationwide to provide business owners with essential support for growth. The OfficeMax Services Center offers an extensive portfolio of more than 40 services designed to relieve administrative burden and assist businesses with critical needs, including web design and maintenance, 24/7 On-Call Tech Support, printing and document management, marketing materials, shipping, credit card and payroll processing, and human resource hiring services. The broad and differentiated service offerings cater to the growth-minded but value-conscious small business owner, and are an important enabler of the transformation of the retail business.

OfficeMax is also utilizing several laboratory stores to quickly prototype a variety of product, process and people innovations. Successful aspects of these pilots are being aggressively rolled out to “accelerator stores,” enabling the company to refine the formula for relevant business customer experiences and marketing efforts all aimed at driving traffic and conversion. Successful innovations are then rolled out to the rest of the chain.

And finally, as mentioned earlier, there are four OfficeMax Business Solutions Centers now operating. The innovative new store format continues to appeal to local businesses and entrepreneurs as a one-stop-shop to fulfill their needs with a wide selection of services, products and solutions. A specialized Business Solutions Adviser also resides in-store, working alongside business customers to help them take their enterprises to the next level with services tailored to meet their individual business needs. OfficeMax is seeing strong customer acceptance of the new store format and customer satisfaction levels remain high for these stores.

## **Financial Review**

Consolidated net sales in the third quarter of 2013 decreased 4.6% to \$1.7 billion compared to the prior year period. Adjusted for currency translation, store closures, and a consistent number of business days, the consolidated adjusted sales decline was 3.4% versus prior year quarter.

Third quarter Contract segment sales were \$842 million, a decrease of 4.4% compared to the third quarter of 2012.

- In the U.S. Contract business, which is approximately two thirds of the Contract segment, sales decreased 3.6% from the prior year’s third quarter. Although net new sales were positive, sales to existing customers declined 5.0%, primarily led by toner and paper.
- In the third quarter, sales in the International Contract business decreased 6.5% in U.S., or a decrease of 0.8% on a local currency basis compared to the third quarter of 2012 primarily due to lower sales to existing customers.

Third quarter Retail segment sales decreased 4.7% to \$823 million compared to the third quarter of 2012, reflecting fewer stores and a 2.8% decrease in same-store sales on a local currency basis.

- U.S.-only Retail same-store sales decreased 2.8%, driven by a mid-single digit decline in transaction counts, and comp sales declines in OfficeMax's three primary product lines. The Supplies and Paper category, and Furniture category, each declined low-to-mid single digits. Technology, including ink and toner, comped down mid-single digits. OfficeMax experienced declines across most tech sub-categories with the exception of PC accessories, business cases, and calculators. Sharp declines in PC sales, were partially offset by an increase in tablet sales. Technology services achieved a strong double-digit sales comp. The Print and Document Services offering comped higher as well.
- Third quarter Mexico same-store sales decreased 2.2% on a local currency basis, primarily due to a weakening Mexican economy and lower technology product sales. OfficeMax opened 3 stores in Mexico in the third quarter, for a total of 93 stores.

Total company gross margin was 25.1% for the third quarter, a decrease of 130 basis points compared with the prior year period, driven primarily by weakness in the Contract segment.

- Contract segment gross margin decreased 210 basis points for the third quarter, primarily reflecting weaker customer margins in both the U.S. and international in a highly competitive environment.
- Retail segment gross margin decreased 40 basis points for the third quarter compared to the prior year period primarily due to the expiration of the favorable purchase accounting for leases from the 2003 acquisition of the U.S. Retail business which expired at the end of 2012, deleveraging of occupancy costs due to lower sales, and lower customer margins in Mexico; partially offset by higher customer margins in the U.S.

Adjusted total operating expense, which includes general and administrative expense, was 23.4% of sales in the third quarter of 2013, which was a 50 basis point improvement, or \$29 million favorable to the prior year quarter.

- Contract segment operating, selling, and G&A expense improved 20 basis points to 19.6% of sales in Q3 2013 from the prior year due to lower incentive compensation expense, and net favorable legal and sales tax settlements; partially offset by continued investments in growth and profitability initiatives, including Digital and SMB.
- Retail segment operating, selling, and G&A expense improved by 40 basis points to 26.4% of sales in Q3 2013 from the prior year period primarily due to favorable sales and property tax settlements, lower store payroll expense, and reduced advertising costs.

Adjusted operating income margin for the third quarter of 2013 decreased to 1.7% from 2.4% in the prior year period, due to a 200 basis point decline in the Contract segment, partially offset by lower Corporate and Other segment expenses.

Corporate and Other segment operating expense was \$7 million in Q3 2013, a \$5 million improvement from the prior year period, primarily due to favorable sales tax settlements and cost reductions.

For the third quarter of 2013, OfficeMax recorded adjusted net income of \$13.6 million, or 15 cents per diluted share, compared to \$22.2 million, or 25 cents per diluted share in Q3 of last year. Note that these numbers exclude all Boise-related income, merger-related expenses, certain store closure costs, and the gain on extinguishment of non-recourse debt in the prior year period. Also note that the expiration of the favorable purchase accounting for leases negatively impacts the adjusted profitability comparisons against 2012.

Adjusted sales growth, adjusted operating income, adjusted net income and adjusted earnings per share are non-GAAP financial measures, which are reconciled to GAAP financials in OfficeMax's press release and Form 10-Q.

At the end of the third quarter, OfficeMax had cash and cash equivalents of \$504 million, and at the end of the third quarter the company had total debt, excluding the non-recourse timber securitization notes, of \$232 million. Total debt excludes the \$735 million of non-recourse debt shown on the balance sheet, which is guaranteed by Wells Fargo. Due to the non-recourse nature of this debt, in order to reflect OfficeMax's obligations accurately, OfficeMax, as well as third parties, such as the credit rating agencies, exclude this debt from the calculation of various financial metrics and ratios used to assess the valuation of the company.

Inventories and accounts payable at the end of the third quarter were \$64 million and \$41 million lower, respectively, as compared to the end of the prior year period, primarily reflecting reduced volumes across the business. Accounts receivable at the end of the third quarter were \$2 million higher than the prior year period, primarily reflecting a higher vendor receivables balance partially offset by lower sales volumes in the Contract segment.

OfficeMax generated \$85 million of cash from operations in the first nine months of 2013 versus \$158 million in the prior year period. The majority of the year-to-date decline, versus the prior year, occurred in the first quarter. Throughout this year, lower adjusted earnings, the working capital items from earlier in the year, as well as merger-related costs negatively impacted cash flow compared to the prior year. These items were only partially offset by the portion of Boise proceeds that are classified as cash flow from operations.

Additionally, in July OfficeMax paid a special dividend of \$131 million, or \$1.50 per share, to holders of the company's common stock.



Capital expenditures, which were funded by cash from operations, totaled \$17 million in the third quarter, and \$65 million in the first nine months, of 2013. This was primarily used for system improvements related to the company's growth initiatives, software enhancements including ongoing SAP implementation, and infrastructure improvements.

Due to the anticipated transaction, OfficeMax will not be providing any fourth quarter guidance for either the standalone or merged company.

The team is focused on serving customers and facilitating a seamless transition for all stakeholders, as the execution of integration plans begins for two great companies.