

OFFICE DEPOT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)

	2019	2018	2017
Sales:			
Products	\$ 9,034	\$ 9,322	\$ 9,320
Services	1,613	1,693	920
Total sales	10,647	11,015	10,240
Cost of goods sold and occupancy costs:			
Products	7,088	7,313	7,236
Services	1,095	1,151	543
Total cost of goods sold and occupancy costs	8,183	8,464	7,779
Gross profit	2,464	2,551	2,461
Selling, general and administrative expenses	2,101	2,193	2,036
Asset impairments	56	7	4
Merger and restructuring expenses, net	116	72	94
Legal expense accrual	—	25	—
Operating income	191	254	327
Other income (expense):			
Interest income	23	25	22
Interest expense	(89)	(121)	(62)
Loss on extinguishment and modification of debt	—	(15)	—
Other income, net	21	15	12
Income from continuing operations before income taxes	146	158	299
Income tax expense	47	59	153
Net income from continuing operations	99	99	146
Discontinued operations, net of tax	—	5	35
Net income	\$ 99	\$ 104	\$ 181
Basic earnings per common share			
Continuing operations	\$ 0.18	\$ 0.18	\$ 0.28
Discontinued operations	—	0.01	0.07
Net basic earnings per common share	\$ 0.18	\$ 0.19	\$ 0.35
Diluted earnings per common share			
Continuing operations	\$ 0.18	\$ 0.18	\$ 0.27
Discontinued operations	—	0.01	0.06
Net diluted earnings per common share	\$ 0.18	\$ 0.19	\$ 0.34

The accompanying notes to Consolidated Financial Statements are an integral part of these statements.

OFFICE DEPOT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	2019	2018	2017
Net income	\$ 99	\$ 104	\$ 181
Other comprehensive income (loss), net of tax, where applicable:			
Foreign currency translation adjustments	21	(36)	25
Reclassification of foreign currency translation adjustments realized upon disposal of businesses	—	29	(1)
Change in deferred pension, net of \$6 million, \$9 million and \$15 million of deferred income taxes in 2019, 2018 and 2017, respectively	12	(14)	28
Other	—	—	(1)
Total other comprehensive income (loss), net of tax, where applicable	33	(21)	51
Comprehensive income	\$ 132	\$ 83	\$ 232

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OFFICE DEPOT, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares and par value)

	December 28, 2019	December 29, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 698	\$ 658
Receivables, net	823	885
Inventories	1,032	1,065
Prepaid expenses and other current assets	75	75
Timber notes receivable, current maturities	819	—
Total current assets	3,447	2,683
Property and equipment, net	679	763
Operating lease right-of-use assets	1,413	—
Goodwill	944	914
Other intangible assets, net	388	422
Timber notes receivable	—	842
Deferred income taxes	183	284
Other assets	257	258
Total assets	\$ 7,311	\$ 6,166
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 1,026	\$ 1,110
Accrued expenses and other current liabilities	1,219	978
Income taxes payable	8	2
Short-term borrowings and current maturities of long-term debt	106	95
Non-recourse debt, current maturities	735	—
Total current liabilities	3,094	2,185
Deferred income taxes and other long-term liabilities	176	300
Pension and postretirement obligations, net	85	111
Long-term debt, net of current maturities	575	690
Operating lease liabilities	1,208	—
Non-recourse debt	—	754
Total liabilities	5,138	4,040
Commitments and contingencies		
Stockholders' equity:		
Common stock — authorized 800,000,000 shares of \$0.01 par value; issued shares — 620,424,775 at December 28, 2019 and 614,170,704 at December 29, 2018; outstanding shares — 535,182,317 at December 28, 2019 and 543,833,428 at December 29, 2018	6	6
Additional paid-in capital	2,647	2,677
Accumulated other comprehensive loss	(66)	(99)
Accumulated deficit	(89)	(173)
Treasury stock, at cost — 85,242,458 shares at December 28, 2019 and 70,337,276 shares at December 29, 2018	(325)	(285)
Total stockholders' equity	2,173	2,126
Total liabilities and stockholders' equity	\$ 7,311	\$ 6,166

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OFFICE DEPOT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	2019	2018	2017
Cash flows from operating activities of continuing operations:			
Net income	\$ 99	\$ 104	\$ 181
Income from discontinued operations, net of tax	—	5	35
Net income from continuing operations	99	99	146
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	204	192	159
Amortization of debt discount and issuance costs	8	10	3
Charges for losses on receivables and inventories	26	37	70
Asset impairments	56	7	4
Gain on disposition of assets, net	(23)	(5)	(4)
Loss on extinguishment and modification of debt	—	15	—
Compensation expense for share-based payments	33	27	28
Deferred income taxes and deferred tax asset valuation allowances	100	40	137
Contingent consideration payments in excess of acquisition-date liability	(11)	—	—
Changes in assets and liabilities:			
Decrease in receivables	63	43	15
Decrease (increase) in inventories	19	(2)	160
Net decrease in prepaid expenses, operating lease right-of-use assets, and other assets	321	4	2
Net increase (decrease) in trade accounts payable, accrued expenses, operating lease liabilities, and other current and other long-term liabilities	(532)	140	(252)
Other operating activities	3	9	(1)
Total adjustments	267	517	321
Net cash provided by operating activities of continuing operations	366	616	467
Cash flows from investing activities of continuing operations:			
Capital expenditures	(150)	(187)	(141)
Businesses acquired, net of cash acquired	(22)	(81)	(872)
Proceeds from disposition of assets	50	15	30
Purchase of leased head office facility	—	—	(42)
Other investing activities	3	4	(5)
Net cash used in investing activities of continuing operations	(119)	(249)	(1,030)
Cash flows from financing activities of continuing operations:			
Net payments on long and short-term borrowings	(98)	(97)	(31)
Cash used in extinguishment and modification of debt	—	(7)	—
Debt retirement	(735)	(194)	—
Debt issuance	736	—	728
Cash dividends on common stock	(55)	(55)	(53)
Share purchases for taxes, net of proceeds from employee share-based transactions	(9)	(3)	(17)
Repurchase of common stock for treasury	(40)	(39)	(56)
Contingent consideration payments up to amount of acquisition-date liability	(12)	—	—
Acquisition of non-controlling interest	—	(18)	—
Payment to extinguish finance lease obligation	—	—	(92)
Other financing activities	1	(1)	(6)
Net cash provided by (used in) financing activities of continuing operations	(212)	(414)	473
Cash flows from discontinued operations:			
Operating activities of discontinued operations	—	11	(9)
Investing activities of discontinued operations	—	66	(68)
Financing activities of discontinued operations	—	—	(8)
Net cash provided by (used in) discontinued operations	—	77	(85)
Effect of exchange rate changes on cash and cash equivalents	5	(9)	7
Net increase (decrease) in cash, cash equivalents and restricted cash	40	21	(168)
Cash, cash equivalents and restricted cash at beginning of period	660	639	807
Cash, cash equivalents and restricted cash at end of period	700	660	639
Cash and cash equivalents of discontinued operations	—	—	14
Cash, cash equivalents and restricted cash at end of period — continuing operations	\$ 700	\$ 660	\$ 625
Supplemental information on operating, investing, and financing activities			
Cash interest paid, net of amounts capitalized and Timber notes/Non-recourse debt	\$ 61	\$ 93	\$ 34
Cash taxes paid (refunded), net	\$ (43)	\$ (5)	\$ 18
Non-cash asset additions under finance leases	\$ 27	\$ 24	\$ 5

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OFFICE DEPOT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except share and per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Total Equity
Balance at December 31, 2016	557,892,568	\$ 6	\$ 2,618	\$ (129)	\$ (453)	\$ (190)	\$ 1,852
Net income	—	—	—	—	181	—	181
Other comprehensive income	—	—	—	51	—	—	51
Exercise and release of incentive stock (including income tax benefits and withholding)	8,702,452	—	(17)	—	—	—	(17)
Amortization of long-term incentive stock grants	—	—	29	—	—	—	29
Dividends paid on common stock (\$0.10 per share)	—	—	(53)	—	—	—	(53)
Adjustment for adoption of accounting standard	—	—	1	—	(1)	—	—
Common stock issuance related to the CompuCom acquisition	43,758,974	—	135	—	—	—	135
Noncontrolling interest redemption value adjustment	—	—	(2)	—	—	—	(2)
Repurchase of common stock	—	—	—	—	—	(56)	(56)
Balance at December 30, 2017	610,353,994	\$ 6	\$ 2,711	\$ (78)	\$ (273)	\$ (246)	\$ 2,120
Net income	—	—	—	—	104	—	104
Other comprehensive income	—	—	—	(21)	—	—	(21)
Exercise and release of incentive stock (including income tax benefits and withholding)	4,064,910	—	(3)	—	—	—	(3)
Amortization of long-term incentive stock grants	—	—	27	—	—	—	27
Dividends paid on common stock (\$0.10 per share)	—	—	(55)	—	—	—	(55)
Adjustment for adoption of accounting standard	—	—	—	—	(4)	—	(4)
Acquisition escrow shares returned	(248,200)	—	(1)	—	—	—	(1)
Repurchase of common stock	—	—	—	—	—	(39)	(39)
Other	—	—	(2)	—	—	—	(2)
Balance at December 29, 2018	614,170,704	\$ 6	\$ 2,677	\$ (99)	\$ (173)	\$ (285)	\$ 2,126
Net income	—	—	—	—	99	—	99
Other comprehensive loss	—	—	—	33	—	—	33
Exercise and release of incentive stock (including income tax benefits and withholding)	6,254,071	—	(8)	—	—	—	(8)
Amortization of long-term incentive stock grants	—	—	33	—	—	—	33
Dividends paid on common stock (\$0.10 per share)	—	—	(55)	—	—	—	(55)
Adjustment for adoption of accounting standard	—	—	—	—	(15)	—	(15)
Repurchase of common stock	—	—	—	—	—	(40)	(40)
Balance at December 28, 2019	620,424,775	\$ 6	\$ 2,647	\$ (66)	\$ (89)	\$ (325)	\$ 2,173

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