

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

	2016	2015	2014
Sales	\$11,021	\$11,727	\$12,710
Cost of goods sold and occupancy costs	8,313	8,864	9,734
Gross profit	2,708	2,863	2,976
Selling, general and administrative expenses	2,242	2,425	2,733
Asset impairments	15	13	56
Merger, restructuring, and other operating (income) expenses, net	(80)	242	334
Legal accrual	—	—	81
Operating income (loss)	531	183	(228)
Other income (expense):			
Interest income	22	22	22
Interest expense	(80)	(91)	(87)
Loss on extinguishment of debt	(15)	—	—
Other income, net	1	1	2
Income (loss) from continuing operations before income taxes	459	115	(291)
Income tax expense (benefit)	(220)	23	2
Net income (loss) from continuing operations	679	92	(293)
Discontinued operations, net of tax	(150)	(84)	(59)
Net income (loss)	529	8	(352)
Less: Results attributable to the noncontrolling interests	—	—	2
Net income (loss) attributable to Office Depot, Inc.	\$ 529	\$ 8	\$ (354)
Basic earnings(loss) per common share			
Continuing operations	\$ 1.26	\$ 0.17	\$ (0.55)
Discontinued operations	(0.28)	(0.15)	(0.11)
Net basic earnings (loss) per common share	\$ 0.98	\$ 0.01	\$ (0.66)
Diluted earnings (loss) per common share			
Continuing operations	\$ 1.24	\$ 0.16	\$ (0.55)
Discontinued operations	(0.27)	(0.15)	(0.11)
Net diluted earnings (loss) per common share	\$ 0.96	\$ 0.01	\$ (0.66)
Dividends per common share	\$ 0.05	\$ —	\$ —

The accompanying notes to consolidated financial statements are an integral part of these statements

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

	December 31, 2016	December 26, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 763	\$ 860
Receivables, net	687	746
Inventories	1,279	1,406
Prepaid expenses and other current assets	102	92
Current assets of discontinued operations	142	956
Total current assets	2,973	4,060
Property and equipment, net	601	665
Goodwill	363	363
Other intangible assets, net	33	53
Timber notes receivable	885	905
Deferred income taxes	466	11
Other assets	219	203
Non-current assets of discontinued operations	—	182
Total assets	<u>\$ 5,540</u>	<u>\$ 6,442</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 893	\$ 987
Accrued expenses and other current liabilities	1,002	1,074
Income taxes payable	3	9
Short-term borrowings and current maturities of long-term debt	29	51
Current liabilities of discontinued operations	104	622
Total current liabilities	2,031	2,743
Deferred income taxes and other long-term liabilities	361	421
Pension and postretirement obligations, net	140	182
Long-term debt, net of current maturities	358	628
Non-recourse debt	798	819
Non-current liabilities of discontinued operations	—	46
Total liabilities	<u>3,688</u>	<u>4,839</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock — authorized 800,000,000 shares of \$.01 par value; issued shares — 557,892,568 at December 31, 2016 and 554,835,306 at December 26, 2015	6	6
Additional paid-in capital	2,618	2,607
Accumulated other comprehensive income (loss)	(129)	30
Accumulated deficit	(453)	(982)
Treasury stock, at cost — 42,802,998 shares at December 31, 2016 and 5,915,268 shares at December 26, 2015	(190)	(58)
Total stockholders' equity	<u>1,852</u>	<u>1,603</u>
Total liabilities and stockholders' equity	<u>\$ 5,540</u>	<u>\$ 6,442</u>

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

	2016	2015	2014
Cash flows from operating activities of continuing operations:			
Net income (loss)	\$ 529	\$ 8	\$ (352)
Loss from discontinued operations, net of tax	(150)	(84)	(59)
Net income from continuing operations	679	92	(293)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	181	253	277
Charges for losses on inventories and receivables	78	53	52
Asset impairments	15	13	56
Compensation expense for share-based payments	40	41	35
Loss on extinguishment of debt	15	—	—
Deferred income taxes and deferred tax asset valuation allowances	(231)	1	(1)
Loss (gain) on disposition of assets	(9)	(36)	7
Other	3	24	(2)
Changes in assets and liabilities:			
Decrease (increase) in receivables	55	55	(20)
Decrease (increase) in inventories	56	(99)	(8)
Net decrease (increase) in prepaid expenses and other assets	(51)	20	23
Net decrease in trade accounts payable, accrued expenses and other current and other long-term liabilities	(339)	(279)	(33)
Total adjustments	(187)	46	386
Net cash provided by operating activities of continuing operations	492	138	93
Cash flows from investing activities of continuing operations:			
Capital expenditures	(111)	(144)	(96)
Proceeds from sale of joint ventures, net	—	—	43
Proceeds from sale of available for sale securities	—	—	43
Acquisition, net of cash acquired	—	(9)	—
Proceeds from disposition of assets and other	27	95	5
Net cash used in investing activities of continuing operations	(84)	(58)	(5)
Cash flows from financing activities of continuing operations:			
Net proceeds from employee share-based transactions	—	7	39
Debt retirement	(250)	—	—
Debt related fees	(6)	(1)	—
Cash used in extinguishment of debt	(12)	—	—
Cash dividends on common stock	(26)	—	—
Proceeds from issuance of borrowings	—	—	4
Net payments on long and short-term borrowings	(49)	(32)	(26)
Repurchase of common stock for treasury	(132)	—	—
Net cash (used in) provided by financing activities of continuing operations	(475)	(26)	17
Cash flows from discontinued operations:			
Operating activities of discontinued operations	(122)	(12)	62
Investing activities of discontinued operations	(70)	(16)	(22)
Financing activities of discontinued operations	5	1	(2)
Net cash used in discontinued operations	(187)	(27)	38
Effect of exchange rate changes on cash and cash equivalents	(8)	(29)	(27)
Net increase (decrease) in cash and cash equivalents	(262)	(2)	116
Cash and cash equivalents at beginning of period	1,069	1,071	955
Cash and cash equivalents at end of period	807	1,069	1,071
Cash and cash equivalents of discontinued operations	(44)	(209)	(247)
Cash and cash equivalents at the end of period — continued operations	\$ 763	\$ 860	\$ 824
Supplemental information on operating, investing, and financing activities			
Cash interest paid, net of amounts capitalized and Timber notes/Non-recourse debt	\$ 63	\$ 67	\$ 68
Cash taxes paid (refunded)	\$ 48	\$ —	\$ (20)
Non-cash asset additions under capital leases	\$ 9	\$ 25	\$ 19

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