

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

	2018	2017	2016
Sales:			
Products	\$ 9,322	\$ 9,320	\$ 10,136
Services	1,693	920	885
Total sales	11,015	10,240	11,021
Cost of goods sold and occupancy costs:			
Products	7,313	7,236	7,810
Services	1,151	543	503
Total cost of goods sold and occupancy costs	8,464	7,779	8,313
Gross profit	2,551	2,461	2,708
Selling, general and administrative expenses	2,193	2,036	2,255
Asset impairments	7	4	15
Merger and restructuring expenses (income), net	72	94	(80)
Legal expense accrual	25	—	—
Operating income	254	327	518
Other income (expense):			
Interest income	25	22	22
Interest expense	(121)	(62)	(80)
Loss on extinguishment and modification of debt	(15)	—	(15)
Other income, net	15	12	14
Income from continuing operations before income taxes	158	299	459
Income tax expense (benefit)	59	153	(220)
Net income from continuing operations	99	146	679
Discontinued operations, net of tax	5	35	(150)
Net income	\$ 104	\$ 181	\$ 529
Basic earnings (loss) per common share			
Continuing operations	\$ 0.18	\$ 0.28	\$ 1.26
Discontinued operations	0.01	0.07	(0.28)
Net basic earnings per common share	\$ 0.19	\$ 0.35	\$ 0.98
Diluted earnings (loss) per common share			
Continuing operations	\$ 0.18	\$ 0.27	\$ 1.24
Discontinued operations	0.01	0.06	(0.27)
Net diluted earnings per common share	\$ 0.19	\$ 0.34	\$ 0.96

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 29, 2018	December 30, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 658	\$ 622
Receivables, net	885	931
Inventories	1,065	1,093
Prepaid expenses and other current assets	75	86
Current assets of discontinued operations	—	139
Total current assets	2,683	2,871
Property and equipment, net	763	725
Goodwill	914	851
Other intangible assets, net	422	448
Timber notes receivable	842	863
Deferred income taxes	284	305
Other assets	258	260
Total assets	\$ 6,166	\$ 6,323
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 1,110	\$ 892
Accrued expenses and other current liabilities	978	986
Income taxes payable	2	5
Short-term borrowings and current maturities of long-term debt	95	96
Current liabilities of discontinued operations	—	67
Total current liabilities	2,185	2,046
Deferred income taxes and other long-term liabilities	300	336
Pension and postretirement obligations, net	111	91
Long-term debt, net of current maturities	690	936
Non-recourse debt	754	776
Total liabilities	4,040	4,185
Commitments and contingencies		
Redeemable noncontrolling interest	—	18
Stockholders' equity:		
Common stock — authorized 800,000,000 shares of \$0.01 par value; issued shares — 614,170,704 at December 29, 2018 and 610,353,994 at December 30, 2017; outstanding shares — 543,833,428 at December 29, 2018 and 553,984,357 at December 30, 2017	6	6
Additional paid-in capital	2,677	2,711
Accumulated other comprehensive loss	(99)	(78)
Accumulated deficit	(173)	(273)
Treasury stock, at cost — 70,337,276 shares at December 29, 2018 and 56,369,637 shares at December 30, 2017	(285)	(246)
Total stockholders' equity	2,126	2,120
Total liabilities, redeemable noncontrolling interest and stockholders' equity	\$ 6,166	\$ 6,323

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

	2018	2017	2016
<b>Cash flows from operating activities of continuing operations:</b>			
Net income	\$ 104	\$ 181	\$ 529
Income (Loss) from discontinued operations, net of tax	5	35	(150)
Net income from continuing operations	99	146	679
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	192	159	181
Amortization of debt discount and issuance costs	10	3	3
Charges for losses on receivables and inventories	37	70	78
Asset impairments	7	4	15
Loss on extinguishment and modification of debt	15	—	15
Compensation expense for share-based payments	27	28	40
Deferred income taxes and deferred tax asset valuation allowances	40	137	(231)
Gain on disposition of assets	(5)	(4)	(9)
Other	9	(1)	—
Changes in assets and liabilities:			
Decrease in receivables	43	15	55
Decrease (increase) in inventories	(2)	160	56
Net decrease (increase) in prepaid expenses and other assets	4	2	(51)
Net increase (decrease) in trade accounts payable, accrued expenses and other current and other long-term liabilities	140	(252)	(339)
Total adjustments	517	321	(187)
Net cash provided by operating activities of continuing operations	616	467	492
<b>Cash flows from investing activities of continuing operations:</b>			
Capital expenditures	(187)	(141)	(111)
Purchase of leased head office facility	—	(42)	—
Businesses acquired, net of cash acquired	(81)	(872)	—
Proceeds from disposition of assets	15	30	23
Other investing activities	4	(5)	4
Net cash used in investing activities of continuing operations	(249)	(1,030)	(84)
<b>Cash flows from financing activities of continuing operations:</b>			
Net payments on long and short-term borrowings	(97)	(31)	(49)
Cash used in extinguishment and modification of debt	(7)	—	(12)
Debt retirement	(194)	—	(250)
Debt issuance	—	728	—
Cash dividends on common stock	(55)	(53)	(26)
Share purchases for taxes, net of proceeds from employee share-based transactions	(3)	(17)	—
Repurchase of common stock for treasury	(39)	(56)	(132)
Payment to extinguish capital lease obligation	—	(92)	—
Acquisition of non-controlling interest	(18)	—	—
Other financing activities	(1)	(6)	(6)
Net cash provided by (used in) financing activities of continuing operations	(414)	473	(475)
<b>Cash flows from discontinued operations:</b>			
Operating activities of discontinued operations	11	(9)	(122)
Investing activities of discontinued operations	66	(68)	(70)
Financing activities of discontinued operations	—	(8)	5
Net cash used in discontinued operations	77	(85)	(187)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(9)</b>	<b>7</b>	<b>(8)</b>
Net increase (decrease) in cash, cash equivalents and restricted cash	21	(168)	(262)
Cash, cash equivalents and restricted cash at beginning of period	639	807	1,069
Cash, cash equivalents and restricted cash at end of period	660	639	807
Cash and cash equivalents of discontinued operations	—	(14)	(44)
Cash, cash equivalents and restricted cash at end of period — continuing operations	\$ 660	\$ 625	\$ 763
<b>Supplemental information on operating, investing, and financing activities</b>			
Cash interest paid, net of amounts capitalized and Timber notes/Non-recourse debt	\$ 93	\$ 34	\$ 63
Cash taxes paid (refunded)	\$ (5)	\$ 18	\$ 48
Non-cash asset additions under capital leases	\$ 24	\$ 5	\$ 9

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