

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

	2017	2016	2015
Sales	\$10,240	\$11,021	\$11,727
Cost of goods sold and occupancy costs	7,779	8,313	8,864
Gross profit	2,461	2,708	2,863
Selling, general and administrative expenses	2,022	2,242	2,425
Asset impairments	4	15	13
Merger and restructuring expenses (income), net	94	(80)	242
Operating income	341	531	183
Other income (expense):			
Interest income	22	22	22
Interest expense	(62)	(80)	(91)
Loss on extinguishment of debt	—	(15)	—
Other income (expense), net	(2)	1	1
Income from continuing operations before income taxes	299	459	115
Income tax expense (benefit)	153	(220)	23
Net income from continuing operations	146	679	92
Discontinued operations, net of tax	35	(150)	(84)
Net income	\$ 181	\$ 529	\$ 8
Basic earnings (loss) per common share			
Continuing operations	\$ 0.28	\$ 1.26	\$ 0.17
Discontinued operations	0.07	(0.28)	(0.15)
Net basic earnings per common share	\$ 0.35	\$ 0.98	\$ 0.01
Diluted earnings (loss) per common share			
Continuing operations	\$ 0.27	\$ 1.24	\$ 0.16
Discontinued operations	0.06	(0.27)	(0.15)
Net diluted earnings per common share	\$ 0.34	\$ 0.96	\$ 0.01
Dividends per common share	\$ 0.10	\$ 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 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 622	\$ 763
Receivables, net	931	687
Inventories	1,093	1,279
Prepaid expenses and other current assets	86	102
Current assets of discontinued operations	139	142
Total current assets	2,871	2,973
Property and equipment, net	725	601
Goodwill	851	363
Other intangible assets, net	448	33
Timber notes receivable	863	885
Deferred income taxes	305	466
Other assets	260	219
Total assets	<u>\$ 6,323</u>	<u>\$ 5,540</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 892	\$ 893
Accrued expenses and other current liabilities	986	1,002
Income taxes payable	5	3
Short-term borrowings and current maturities of long-term debt	96	29
Current liabilities of discontinued operations	67	104
Total current liabilities	2,046	2,031
Deferred income taxes and other long-term liabilities	336	361
Pension and postretirement obligations, net	91	140
Long-term debt, net of current maturities	936	358
Non-recourse debt	776	798
Total liabilities	4,185	3,688
Commitments and contingencies		
Redeemable noncontrolling interest	18	—
Stockholders' equity:		
Common stock — authorized 800,000,000 shares of \$.01 par value; issued shares — 610,353,994 at December 30, 2017 and 557,892,568 at December 31, 2016	6	6
Additional paid-in capital	2,711	2,618
Accumulated other comprehensive loss	(78)	(129)
Accumulated deficit	(273)	(453)
Treasury stock, at cost — 56,369,637 shares at December 30, 2017 and 42,802,998 shares at December 31, 2016	(246)	(190)
Total stockholders' equity	2,120	1,852
Total liabilities, redeemable noncontrolling interest and stockholders' equity	<u>\$ 6,323</u>	<u>\$ 5,540</u>

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

	2017	2016	2015
Cash flows from operating activities of continuing operations:			
Net income	\$ 181	\$ 529	\$ 8
Income (Loss) from discontinued operations, net of tax	35	(150)	(84)
Net income from continuing operations	146	679	92
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	159	181	253
Charges for losses on inventories and receivables	70	78	53
Asset impairments	4	15	13
Compensation expense for share-based payments	28	40	41
Loss on extinguishment of debt	—	15	—
Deferred income taxes and deferred tax asset valuation allowances	137	(231)	1
Gain on disposition of assets	(4)	(9)	(36)
Other	2	3	24
Changes in assets and liabilities:			
Decrease in receivables	15	55	55
Decrease (increase) in inventories	160	56	(99)
Net decrease (increase) in prepaid expenses and other assets	2	(51)	20
Net decrease in trade accounts payable, accrued expenses and other current and other long-term liabilities	(252)	(339)	(279)
Total adjustments	321	(187)	46
Net cash provided by operating activities of continuing operations	467	492	138
Cash flows from investing activities of continuing operations:			
Capital expenditures	(141)	(111)	(144)
Purchase of leased head office facility	(42)	—	—
Businesses acquired, net of cash acquired	(875)	—	(9)
Proceeds from disposition of assets and other	25	27	95
Net cash used in investing activities of continuing operations	(1,033)	(84)	(58)
Cash flows from financing activities of continuing operations:			
Share purchases for taxes, net of proceeds from employee share-based transactions	(17)	—	7
Payment to extinguish capital lease obligation	(92)	—	—
Debt retirement	—	(250)	—
Debt related fees	(12)	(6)	(1)
Cash used in extinguishment of debt	—	(12)	—
Cash dividends on common stock	(53)	(26)	—
Debt issuance	728	—	—
Proceeds from issuance of borrowings	4	—	—
Net payments on long and short-term borrowings	(31)	(49)	(32)
Repurchase of common stock for treasury	(56)	(132)	—
Other financing activities	2	—	—
Net cash provided by (used in) financing activities of continuing operations	473	(475)	(26)
Cash flows from discontinued operations:			
Operating activities of discontinued operations	(9)	(122)	(12)
Investing activities of discontinued operations	(68)	(70)	(16)
Financing activities of discontinued operations	(8)	5	1
Net cash used in discontinued operations	(85)	(187)	(27)
Effect of exchange rate changes on cash and cash equivalents	7	(8)	(29)
Net decrease in cash and cash equivalents	(171)	(262)	(2)
Cash and cash equivalents at beginning of period	807	1,069	1,071
Cash and cash equivalents at end of period	636	807	1,069
Cash and cash equivalents of discontinued operations	(14)	(44)	(209)
Cash and cash equivalents at the end of period — continuing operations	\$ 622	\$ 763	\$ 860
Supplemental information on operating, investing, and financing activities			
Cash interest paid, net of amounts capitalized and Timber notes/Non-recourse debt	\$ 34	\$ 63	\$ 67
Cash taxes paid (refunded)	\$ 18	\$ 48	\$ —
Non-cash asset additions under capital leases	\$ 5	\$ 9	\$ 25

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