OFFICE DEPOT, INC. CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

Sales: Podacts 9,322 \$ 9,320 \$ 10,136 Services 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 Saset impairments 7 4 15 Merger and restructuring expenses (income), net 72 94 (80) Legal expense accrual 25 22 2 Operating income 25 22 2 Operating income 25 22 2 Uniterest expense (121) (62) 680 Loss on extinguishment and modification of debt (15) — (15) Other income, net 15 12 14 Hocon extinguishment and modification of d		2018		2017		2016	
Services 1,693 920 885 Total sales 11,015 10,20 11,02 Cost of goods sold and occupancy costs: Total cost of goods sold and occupancy costs 7,313 7,236 7,810 Services 1,151 543 503 Total cost of goods sold and occupancy costs 8,464 7,79 8,313 Gross profit 2,551 2,461 2,708 Selling, general and administrative expenses 2,193 2,036 2,255 Sest impairments 72 94 (80) Legal expense accural 25 Operating income 25 22 22 Operating income 15 12 14 Oberating income 15 12 14 Oberating income 15 12 14 Loss on extinguishment and modificati	Sales:						
Total sales 11,015 10,240 11,021 Cost of goods sold and occupancy costs 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 25 22 22 Other income (expenses) (121) (602) (80) Other income (expense) (121) (602) (80) Loss on extriguishment and modification of debt (15) (15) Loss on extriguishment and modification of debt (15) (15) Discontinued, perations before income taxes 158 29 459 Income tax expense (benefit) 5 </td <td>Products</td> <td>\$</td> <td>9,322</td> <td>\$</td> <td>9,320</td> <td>\$</td> <td>10,136</td>	Products	\$	9,322	\$	9,320	\$	10,136
Cost of goods sold and occupancy costs: 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 accural 25 - - - Operating income 25 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22 22<	Services		1,693		920		885
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 timpairments 7 4 15 Merger and restructuring expenses (income), net 25 9 4 (80) Legal expense accrual 25 - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -	Total sales		11,015		10,240		11,021
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 25 - - Legal expense accrual 25 - - - Operating income 25 - - - Operating income (expense): 25 22 22 Interest income (expense): (121) 662 (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 5 35 (150) Discontinued operations, net of tax	Cost of goods sold and occupancy costs:						
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 accural 25 - - Operating income 25 22 22 Other income (expenses): 25 22 22 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 from continuing operations 5 35 (150) Net income 99 146 679 Discontinued operations, net of tax 5 35 150	Products		7,313		7,236		7,810
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 accural 25 — — Operating income 25 22 22 Operating income 25 22 22 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 from continuing operations 99 146 679 Discontinued operations, net of tax 5 35 (150) Net income \$ 104 \$ 18 529 Discontinued operations \$ 0.18 \$	Services		1,151		543		503
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): 325 22 22 22 Interest income 25 22 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 from continuing operations 99 146 679 Discontinued operations, net of tax 5 35 (150) Net income \$ 104 \$ 12 14 Expense earnings (loss) per common share \$ 0.18 \$ 0.28 0.98	Total cost of goods sold and occupancy costs		8,464		7,779		8,313
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): The secondary of the secondary	Gross profit		2,551		2,461		2,708
Merger and restructuring expenses (income), net 72 94 (80) Legal expense accrual 25 — — Operating income 254 327 518 Other income (expense): — 518 Unterest income 25 22 22 Interest income 25 22 22 22 Interest expense (121) (62) (80) (80) Loss on extinguishment and modification of debt (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) — (15) —	Selling, general and administrative expenses		2,193		2,036		2,255
Legal expense accrual 25 — — Operating income 254 327 518 Other income (expense): — 518 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 \$ 0.18 0.28 \$ 1.26 Obicontinued operations \$ 0.18 0.28 \$ 0.98 Net basic earnings per common share \$ 0.19 0.07 0.28 Diluted earnings (loss) per common share \$ 0.18 0.27 \$ 0.28	Asset impairments		7		4		15
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 8 104 8 181 8 529 Basic earnings (loss) per common share S 0.18 8 0.28 \$ 1.26 Discontinued operations 9.01 0.07 0.28) 0.98 Net basic earnings per common share \$ 0.18 \$ 0.35 \$ 0.98 Diluted earnings (loss) per common share \$ 0.18	Merger and restructuring expenses (income), net		72		94		(80)
Other income (expense): 25 22 22 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 \$ 0.18 \$ 0.28 \$ 1.26 Discontinued operations \$ 0.18 \$ 0.28 \$ 0.38 Net basic earnings per common share \$ 0.19 \$ 0.35 \$ 0.98 Diluted earnings (loss) per common share \$ 0.19 \$ 0.27 \$ 1.24 Continuing operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations <th< td=""><td>Legal expense accrual</td><td></td><td>25</td><td></td><td>_</td><td></td><td>_</td></th<>	Legal expense accrual		25		_		_
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 \$ 0.18 \$ 0.28 \$ 1.26 Discontinued operations \$ 0.18 \$ 0.28 \$ 0.98 Diluted earnings (loss) per common share \$ 0.19 \$ 0.35 \$ 0.98 Diluted earnings (loss) per common share \$ 0.18 \$ 0.27 \$ 1.24 Continuing operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations	Operating income		254		327		518
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 \$ 0.18 0.28 \$ 0.98 Diluted earnings (loss) per common share \$ 0.19 \$ 0.35 \$ 0.98 Diluted earnings (loss) per common share \$ 0.18 0.27 \$ 1.24 Continuing operations \$ 0.18 0.27 \$ 1.24 Discontinued operations \$ 0.18 0.06 (0.27)	Other income (expense):						
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 \$ 0.18 \$ 0.28 \$ 1.26 Discontinued operations \$ 0.18 \$ 0.35 \$ 0.98 Diluted earnings (loss) per common share \$ 0.19 \$ 0.35 \$ 0.98 Diluted earnings (loss) per common share \$ 0.19 \$ 0.27 \$ 1.24 Continuing operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations \$ 0.01 0.06 (0.27)	Interest income		25		22		22
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 \$ 0.18 \$ 0.28 \$ 1.26 Discontinued operations \$ 0.18 \$ 0.28 \$ 0.98 Diluted earnings (loss) per common share \$ 0.19 \$ 0.35 \$ 0.98 Diluted earnings (loss) per common share \$ 0.18 \$ 0.27 \$ 1.24 Continuing operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations \$ 0.18 \$ 0.27 \$ 1.24 Objection of the common share \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations \$ 0.01 \$ 0.05 \$ 0.27	Interest expense		(121)		(62)		(80)
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 \$ 0.18 \$ 0.28 \$ 1.26 Discontinued operations \$ 0.19 \$ 0.35 \$ 0.98 Diluted earnings (loss) per common share \$ 0.19 \$ 0.27 \$ 1.24 Continuing operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations \$ 0.18 \$ 0.27 \$ 1.24			(15)		_		(15)
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 \$ 0.18 \$ 0.28 \$ 1.26 Discontinued operations \$ 0.19 \$ 0.35 \$ 0.98 Diluted earnings (loss) per common share \$ 0.19 \$ 0.27 \$ 0.28 Diluted earnings (loss) per common share \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations 0.01 0.06 (0.27)	,		15		12		14
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 \$ 0.18 \$ 0.28 \$ 1.26 Discontinued operations \$ 0.19 \$ 0.35 \$ 0.98 Net basic earnings per common share \$ 0.19 \$ 0.35 \$ 0.98 Diluted earnings (loss) per common share \$ 0.18 \$ 0.27 \$ 1.24 Continuing operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations \$ 0.01 0.06 (0.27)	Income from continuing operations before income taxes		158		299		459
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 \$ 0.18 \$ 0.27 \$ 1.24 Oiscontinued operations \$ 0.01 0.06 (0.27)	Income tax expense (benefit)		59		153		(220)
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 0.07 (0.28) Net basic earnings per common share S 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 income from continuing operations		99		146		679
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)	Discontinued operations, net of tax		5		35		(150)
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 income	\$	104	\$	181	\$	529
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)	Basic earnings (loss) per common share						
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)		\$	0.18	\$	0.28	\$	1.26
Diluted earnings (loss) per common share \$ 0.18 \$ 0.27 \$ 1.24 Continuing operations \$ 0.01 0.06 (0.27)	Discontinued operations		0.01		0.07		(0.28)
Continuing operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations 0.01 0.06 (0.27)	Net basic earnings per common share	\$	0.19	\$	0.35	\$	0.98
Continuing operations \$ 0.18 \$ 0.27 \$ 1.24 Discontinued operations 0.01 0.06 (0.27)	Diluted earnings (loss) per common share						
Discontinued operations 0.01 0.06 (0.27)		\$	0.18	\$	0.27	\$	1.24
			0.01		0.06		(0.27)
		\$	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)

		ember 29, 2018	December 30, 2017	
ASSETS				
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	
LIABILITIES AND STOCKHOLDERS' EQUITY	-			
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	

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

OFFICE DEPOT, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	201	18	2017	2016
Cash flows from operating activities of continuing operations:		104	101	
Net income	\$	104 \$	181 \$	529
Income (Loss) from discontinued operations, net of tax		5 99	35 146	(150) 679
Net income from continuing operations Adjustments to reconcile net income to net cash provided by operating		99	140	0/9
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		-		(31)
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
Cash flows from investing activities of continuing operations:				
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)
Cash flows from financing activities of continuing operations:				
Net payments on long and short-term borrowings		(97)	(31)	(49)
Cash used in extinguishment and modification of debt		(7)	_	(12)
Debt retirement Debt issuance		(194)	728	(250)
Cash dividends on common stock		(55)	(53)	(26)
Share purchases for taxes, net of proceeds from employee share-based		(33)	(33)	(20)
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)
Cash flows from discontinued operations:				
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)
Effect of exchange rate changes on cash and cash equivalents		(9)	7	(8)
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	•	660 \$	(14) 625 \$	(44) 763
Cash, cash equivalents and restricted cash at end of period — continuing operations	\$	000 \$	023 \$	/03
Supplemental information on operating, investing, and financing activities				
Cash interest paid, net of amounts capitalized and Timber notes/Non-recourse debt				
<u> </u>	\$	93 \$	34 \$	63
Cash taxes paid (refunded) Non-cash asset additions under capital leases	\$ \$ \$	93 \$ (5) \$ 24 \$	34 \$ 18 \$ 5 \$	63 48 9

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