

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, DC 20549
 FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
 SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended September 27, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
 SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-10948

OFFICE DEPOT, INC.
 (Exact name of registrant as specified in its charter)

Delaware
 (State or other jurisdiction
 incorporation or organization)

59-2663954
 (I.R.S. Employer
 Identification No.)

2200 Old Germantown Road, Delray Beach, Florida
 (Address of principal executive offices)

33445
 (Zip Code)

(561) 278-4800
 (Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirement for the past 90 days.

Yes X No _____

The registrant had 158,132,255 shares of common stock outstanding as of October 24, 1997.

OFFICE DEPOT, INC.

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OFFICE DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share amounts)
(Unaudited)

	13 Weeks Ended September 27, 1997	13 Weeks Ended September 28, 1996	39 Weeks Ended September 27, 1997	39 Weeks Ended September 28, 1996
	-----	-----	-----	-----
Sales	\$1,690,275	\$1,509,650	\$4,994,544	\$4,524,010
Cost of goods sold and occupancy costs	1,291,187	1,175,964	3,835,381	3,510,242
	-----	-----	-----	-----
Gross profit	399,088	333,686	1,159,163	1,013,768
Store and warehouse operating and selling expenses	269,828	232,115	792,349	703,870
Pre-opening expenses	753	1,248	2,336	6,746
General and administrative expenses	49,288	37,512	140,935	122,342
Amortization of goodwill	1,312	1,306	3,935	3,942
	-----	-----	-----	-----
	321,181	272,181	939,555	836,900
	-----	-----	-----	-----
Operating profit	77,907	61,505	219,608	176,868
Other expense (income)				
Interest expense, net	3,834	6,609	12,893	17,783
Equity and franchise (income) loss, net	2,505	1,463	4,478	1,830
Merger costs	---	---	16,094	---
	-----	-----	-----	-----
Earnings before income taxes	71,568	53,433	186,143	157,255
Income taxes	27,836	21,575	73,150	63,677
	-----	-----	-----	-----
Net earnings	\$ 43,732	\$ 31,858	\$ 112,993	\$ 93,578
	=====	=====	=====	=====
Earnings per common and common equivalent share:				
Primary	\$0.27	\$0.20	\$0.71	\$0.59
Fully diluted	\$0.26	\$0.20	\$0.69	\$0.58

OFFICE DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	September 27, 1997	December 28, 1996
	-----	-----
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 194,093	\$ 51,398
Receivables, net of allowances	444,498	401,900
Merchandise inventories	1,203,777	1,324,506
Deferred income taxes	41,836	29,583
Prepaid expenses	14,410	14,209
	-----	-----
Total current assets	1,898,614	1,821,596
Property and equipment, net	682,419	671,648
Goodwill, net of amortization	186,089	190,052
Other assets	65,911	57,021
	-----	-----
	\$ 2,833,033	\$ 2,740,317
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 778,823	\$ 781,963
Accrued expenses	227,658	177,680
Income taxes	46,408	25,819
Short-term borrowings and current maturities of long-term debt	2,639	142,339
	-----	-----
Total current liabilities	1,055,528	1,127,801
Long-term debt, less current maturities	39,273	17,128
Deferred taxes and other credits	46,406	39,814
Zero coupon, convertible subordinated notes	413,072	399,629
Common stockholders' equity		
Common stock - authorized 400,000,000 shares of \$.01 par value; issued 160,152,946 in 1997 and 159,417,089 in 1996	1,602	1,594
Additional paid-in capital	641,098	630,049
Foreign currency translation adjustment	(2,314)	(1,073)
Retained earnings	640,118	527,125
Less: 2,163,447 shares of treasury stock, at cost	(1,750)	(1,750)
	-----	-----
	1,278,754	1,155,945
	-----	-----
	\$ 2,833,033	\$ 2,740,317
	=====	=====

OFFICE DEPOT, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 Change in Cash and Cash Equivalents
 (In thousands)
 (Unaudited)

	39 Weeks Ended September 27, 1997	39 Weeks Ended September 28, 1996
	-----	-----
Cash flows from operating activities		
Cash received from customers	\$ 4,940,436	\$ 4,494,896
Cash paid for merchandise inventories	(3,539,396)	(3,436,292)
Cash paid for store and warehouse operating, selling and general and administrative expenses	(1,005,246)	(932,337)
Interest received	2,389	1,088
Interest paid	(2,752)	(6,272)
Income taxes paid	(64,000)	(42,293)
	-----	-----
Net cash provided by operating activities	331,431	78,790
	-----	-----
Cash flows from investing activities		
Capital expenditures, net	(53,249)	(127,827)
	-----	-----
Net cash used in investing activities	(53,249)	(127,827)
	-----	-----
Cash flows from financing activities		
Proceeds from exercise of stock options and sales of stock under employee stock purchase plan	7,609	11,755
Foreign currency translation adjustment	(1,241)	(246)
Proceeds from long- and short-term borrowings	---	120,833
Payments on long- and short-term borrowings	(141,855)	(109,724)
	-----	-----
Net cash (used in) provided by financing activities	(135,487)	22,618
	-----	-----
Net increase (decrease) in cash and cash equivalents	142,695	(26,419)
Cash and cash equivalents at beginning of period	51,398	61,993
	-----	-----
Cash and cash equivalents at end of period	\$ 194,093	\$ 35,574
	=====	=====
Reconciliation of net earnings to net cash provided by operating activities		
Net earnings	\$ 112,993	\$ 93,578
	-----	-----
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation and amortization	72,364	60,358
Provision for inventory shrinkage and bad debts	37,373	21,358
Accreted interest on zero coupon, convertible subordinated notes	13,443	12,737
Contributions of common stock to employee benefit and stock purchase plans	2,582	2,712
Changes in assets and liabilities		
Increase in receivables	(51,628)	(16,483)
Decrease in merchandise inventories	92,386	4,337
Increase in prepaid expenses, deferred income taxes and other assets	(22,968)	(22,508)
Increase (decrease) in accounts payable, accrued expenses and deferred credits	74,886	(77,299)
	-----	-----
Total adjustments	218,438	(14,788)
	-----	-----
Net cash provided by operating activities	\$ 331,431	\$ 78,790
	=====	=====

OFFICE DEPOT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The interim financial statements as of September 27, 1997 and for the 13 and 39 week periods ended September 27, 1997 and September 28, 1996 are unaudited; however, such interim financial statements reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial position and the results of operations for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year. The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 28, 1996.
2. Net earnings per common and common equivalent share is based upon the weighted average number of common shares and common equivalent shares outstanding during each period. Stock options are considered common stock equivalents. In determining primary earnings per common and common equivalent share, the zero coupon convertible subordinated notes are not considered common equivalent shares, however, in determining fully diluted earnings per common and common equivalent share, such notes are considered common equivalent shares as if converted as of the beginning of the applicable period. Net earnings under this assumption has been adjusted for related interest, net of its income tax effect. The information required to compute net earnings per common share on a primary and fully diluted basis is as follows:

	13 Weeks Ended September 27, 1997 -----	13 Weeks Ended September 28, 1996 -----	39 Weeks Ended September 27, 1997 -----	39 Weeks Ended September 28, 1996 -----
	(In thousands)			
Primary:				
Weighted average number of common and common equivalent shares	159,800 =====	158,612 =====	159,320 =====	158,484 =====
Fully diluted:				
Net earnings	\$43,732	\$31,858	\$112,993	\$ 93,578
Interest expense related to convertible notes, net of tax	2,716 -----	2,598 -----	8,267 -----	7,770 -----
Adjusted net earnings	\$46,448 =====	\$34,456 =====	\$121,260 =====	\$101,348 =====
Weighted average number of common and common equivalent shares	160,408	158,861	159,679	158,570
Shares issuable upon assumed conversion of convertible notes	16,565 -----	16,565 -----	16,565 -----	16,565 -----
Shares used in computing net earnings per common and common equivalent share assuming full dilution	176,973 =====	175,426 =====	176,244 =====	175,135 =====

3. In September 1996, the Company entered into an agreement and plan of merger with Staples, Inc. ("Staples"). On April 4, 1997, the Federal Trade Commission ("FTC") initiated legal action to challenge the proposed merger. The Company and Staples contested the FTC's efforts to challenge the merger, and a preliminary injunction hearing was held in May 1997 in the Federal District Court in Washington, DC. On June 30, 1997, the judge granted the FTC's request for a preliminary injunction to block the proposed merger, and on July 2, 1997, the Company and Staples announced that the merger agreement had been terminated.

During the 39 week period ended September 27, 1997, the Company expensed \$16,094,000 of costs directly related to the terminated merger. These costs, consisting primarily of legal fees, investment banker fees and personnel retention costs, represent estimated costs incurred through September 27, 1997. No merger costs were recorded in the 13 week period ended September 27, 1997.

4. The Consolidated Statements of Cash Flows do not include the following non-cash investing and financing transactions:

	39 Weeks Ended September 27, 1997 -----	39 Weeks Ended September 28, 1996 -----
	(in thousands)	
Additional paid-in capital related to tax benefit on stock options exercised	\$ 866	\$5,427
Buildings and equipment purchased under capital leases	24,300	5,252
Conversion of convertible subordinated notes to common stock	---	6

5. In February 1997, Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," was issued. SFAS No. 128, which supersedes Accounting Principles Board ("APB") Opinion No. 15, requires a dual presentation of basic and diluted earnings per share on the face of the income statement. Basic earnings per share excludes dilution and is computed by dividing income or loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Diluted earnings per share is computed similarly to fully diluted earnings per share under APB Opinion No. 15. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods; earlier application is not permitted. When adopted, all prior-period earnings per share data are required to be restated. For

the 13 and 39 weeks ended September 27, 1997, basic earnings per common share, as computed under SFAS No. 128, would be \$0.28 and \$0.72. For the 13 weeks ended September 28, 1996, basic earnings per common share would be the same as primary earnings per common and common equivalent share shown on the accompanying Consolidated Statements of Earnings, and for the 39 weeks then ended, basic earnings per common share would be \$0.60. For the 13 and 39 weeks ended September 27, 1997 and September 28, 1996, diluted earnings per common share, as computed under SFAS No. 128, would be the same as fully diluted earnings per common and common equivalent share shown on the accompanying Consolidated Statements of Earnings.

In June 1997, SFAS No. 130, "Reporting Comprehensive Income," was issued. SFAS No. 130 requires disclosure of comprehensive income and its components in a company's general purpose financial statements. Comprehensive income is defined as "the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners." Under SFAS No. 130, all items of comprehensive income are to be reported in a "financial statement that is displayed with the same prominence as other financial statements." SFAS 130 does not require a specific format for this financial statement, but does mandate the display of an amount representing total comprehensive income for the period (companies are not required to use the terms "comprehensive income" or "total comprehensive income" in their financial statements). Additionally, the statement requires the classification of items comprising other comprehensive income by their nature, and the accumulated balance of other comprehensive income must be displayed separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. SFAS No. 130 is effective for fiscal years beginning after December 15, 1997, with reclassification of comparative (earlier period) financial statements. The Company does not believe that SFAS No. 130 will have a material effect on the disclosures in its consolidated financial statements.

In June 1997, SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued. SFAS No. 131 establishes standards for the way that public companies report selected information about operating segments in annual financial statements and requires that such companies report selected information about segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS No. 131, which supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," retains the requirement to report information about major customers and requires that a public company report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. SFAS No. 131 requires that a

public company report a measure of segment profit or loss, certain specific revenue and expense items, and segment assets. SFAS No. 131 also requires that a public company report descriptive information about the way that the operating segments were determined, the products and services provided by the operating segments, differences between the measurements used in reporting segment information and those used in the enterprise's general-purpose financial statements, and changes in the measurement of segment amounts from period to period. SFAS No. 131 is effective for financial statements issued for periods beginning after December 15, 1997. The Company has not determined the effects, if any, that SFAS No. 131 will have on the disclosures in its consolidated financial statements.

Item 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales increased 12% to \$1,690,275,000 in the third quarter of 1997 from \$1,509,650,000 in the third quarter of 1996 and 10% to \$4,994,544,000 for the first nine months of 1997 from \$4,524,010,000 for the first nine months of 1996. Approximately 29% of the increase in sales for the first nine months of 1997 was due to the 40 new office supply stores opened subsequent to the third quarter of 1996. Comparable sales for stores and delivery facilities open for more than one year at September 27, 1997 increased 8% for the third quarter of 1997 and 5% for the first nine months of 1997. Sales of computers, business machines and related supplies rose slightly as a percentage of total sales in the third quarter of 1997 over the comparable 1996 period, driven primarily by increases in sales of machine supplies. The average unit sales prices and comparable unit sales of computers have decreased from 1996. For the first nine months of 1997, average unit retail prices for copy paper and related products were approximately 20% below prior year levels as a result of continued weakness in the paper market.

The Company opened nine office supply stores in the third quarter of 1997, bringing the total number of office supply stores open at the end of the third quarter to 574, compared with 535 stores open at the end of the third quarter of 1996. The Company also operated 23 contract stationer and delivery warehouses (customer service centers ["CSC's"]) at the end of the third quarters of both 1997 and 1996. Several of these are newer, larger facilities which replaced existing facilities acquired as part of the contract stationer acquisitions in 1993 and 1994. As of September 27, 1997, the Company also operated three Images(TM), two Office Depot Express(TM) and five Furniture At Work(TM) stores.

Gross profit as a percentage of sales was 23.6% and 23.2% during the third quarter and first nine months of 1997, respectively, as compared with 22.1% and 22.4% during the comparable quarter and first nine months of 1996, respectively. Improvements in margin for the first nine months and the third quarter of 1997 have been realized primarily through the decrease in sales of computers as a percentage of total sales, combined with improved gross margins in the computer category. The Company's management believes that gross profit as a percentage of sales can fluctuate as a result of numerous factors, including continued expansion of its contract stationer business, competitive pricing in more market areas, continued change in product mix, continued fluctuation in paper prices, as well as the Company's ability to achieve purchasing efficiencies through growth in total merchandise purchases. Additionally, occupancy costs can increase in new markets and in certain existing markets where the Company plans to add new stores and warehouses to complete its market plan.

Store and warehouse operating and selling expenses as a percentage of sales were 16.0% and 15.9% in the third quarter and first nine months of 1997, respectively, as compared to 15.4% and 15.6% in the third quarter and first nine months of 1996, respectively. Store and warehouse operating and selling expenses consist primarily of

payroll and advertising expenses. While store and warehouse operating and selling expenses as a percentage of sales continue to be significantly higher in the contract stationer business than in the retail business, principally due to the need for a more experienced and more highly compensated sales force, these expenses have begun to decline as a percentage of sales as the Company progresses toward full integration of this business. Management expects that as the Company continues this progress, certain fixed expenses should decrease as a percentage of sales, thereby improving the Company's overall store and warehouse operating expenses as a percentage of sales. In the retail business, while the majority of store expenses vary proportionately with sales, there is a fixed cost component to these expenses that, as sales increase within each store and within a cluster of stores in a given market area, should decrease as a percentage of sales. This benefit in the retail business did not significantly improve the Company's operating margins for the first nine months of 1997, since new store openings were limited during this period. When the Company first enters a large metropolitan market area where the advertising costs for the full market must be absorbed by the small number of facilities opened, advertising expenses are initially higher as a percentage of sales. As additional stores are opened in the same market, advertising costs, which are substantially a fixed expense for a market area, have been and should continue to be reduced as a percentage of total sales. The Company has also continued, though on a more limited scale than in prior periods, a strategy of opening stores in existing markets. While increasing the number of stores increases operating results in absolute dollars, it also has the effect of increasing expenses as a percentage of sales since the sales of certain existing stores in the market may be adversely affected.

Pre-opening expenses decreased to \$753,000 in the third quarter of 1997 from \$1,248,000 in the comparable quarter of 1996 and decreased to \$2,336,000 from \$6,746,000 in the first nine months of 1997, as compared to the same period in 1996. The Company added 14 new and one replacement office supply store in the first nine months of 1997, nine of which were added in the third quarter, as compared with 34 new stores in the comparable 1996 period, eight of which were added in the third quarter. Pre-opening expenses, which currently approximate \$150,000 per standard office supply store, are predominately incurred during a six-week period prior to the store opening. CSC pre-opening expenses are approximately \$500,000; however, these expenses may vary with the size and type of future CSC's. These expenses consist principally of amounts paid for salaries and occupancy expenses. Since the Company's policy is to expense these items during the period in which they occur, the amount of pre-opening expenses in each period is generally proportional to the number of new stores or customer service centers opened or in the process of being opened during the period.

General and administrative expenses increased as a percentage of sales to 2.9% for the quarter ended September 27, 1997 from 2.5% for the comparable 1996 period, while these expenses were 2.8% and 2.7% of sales for the first nine months of 1997 and 1996, respectively. General and administrative expenses in the third quarter of 1996 were reduced by an adjustment in bonus accruals related to the Company's performance being below earnings levels eligible for bonus payments. Still impacting these expenses is the Company's commitment to improving the efficiency of its

management information systems and increasing its information systems programming staff. While this investment in systems has and will continue to increase general and administrative expenses in the short term, the Company believes it will provide benefits in the future. Increases resulting from this initiative have been partially offset by decreases in other general and administrative expenses, both as a result of the Company's ability to increase sales without a proportionate increase in corporate expenditures, and as a result of reduction in certain costs achieved through systems initiatives already being implemented. However, there can be no assurance that the Company will be able to continue to increase sales without a proportionate increase in corporate expenditures.

During the 39 week period ended September 27, 1997, the Company expensed approximately \$16,094,000 of costs directly related to the terminated merger with Staples. These costs, consisting primarily of legal fees, investment banker fees and personnel retention costs, represent estimated costs incurred through September 27, 1997. No merger costs were recorded in the 13 week period ended September 27, 1997. The Company does not expect to incur significant additional costs associated with the terminated merger in future periods.

TERMINATED MERGER

In September 1996, the Company entered into an agreement and plan of merger with Staples, Inc. ("Staples"). On April 4, 1997, the Federal Trade Commission ("FTC") initiated legal action to challenge the proposed merger. The Company and Staples contested the FTC's efforts to challenge the merger, and a preliminary injunction hearing was held in May 1997 in the Federal District Court in Washington, DC. On June 30, 1997, the judge granted the FTC's request for a preliminary injunction to block the proposed merger, and on July 2, 1997, the Company and Staples announced that the merger agreement had been terminated.

While the Company believed that the merger with Staples would have been in the best interests of its customers and shareholders, the Company had prepared itself to continue on a stand alone basis. Many of the initiatives undertaken in planning for the merger have and will continue to strengthen the Company's support systems and operating practices.

LIQUIDITY AND CAPITAL RESOURCES

Since the Company's inception in March 1986, the Company has relied on equity capital, convertible debt and bank borrowings as the primary sources of its funds. Since the Company's store sales are substantially on a cash and carry basis, cash flow generated from operating stores provides a source of liquidity to the Company. Working capital requirements are reduced by vendor credit terms, which allow the Company to finance a portion of its inventories. The Company utilizes private label credit card programs administered and financed by financial service companies, which allow the Company to expand its store sales without the burden of additional

receivables. The Company has also utilized equipment financings as a source of funds in previous periods.

Sales to larger customers are generally made under regular commercial credit terms where the Company carries its own receivables, as opposed to sales made to smaller customers, in which payments are generally tendered in cash or by credit card. Thus, as the Company continues to expand into servicing additional large companies, it is expected that the Company's trade receivables will continue to grow.

Receivables from vendors under rebate, cooperative advertising and marketing programs, which comprise a significant percentage of total receivables, tend to fluctuate seasonally, growing during the second half of the year and declining during the first half. This is the result of collections generally being made after an entire program year is completed.

In the first nine months of 1997, the Company added 14 and replaced one office supply store and added one Furniture At Work(TM) store, compared with 34 new office supply stores, two new Images(TM) and two new Furniture At Work(TM) stores added in the comparable period of 1996. Uncertainty and a loss of certain real estate personnel, both resulting from the terminated merger with Staples, has had a negative short-term effect on the Company's store opening program. Net cash provided by operating activities was \$331,431,000 in the first nine months of 1997, compared with net cash provided by operating activities of \$78,790,000 in the comparable 1996 period. The Company's successful inventory reduction initiative contributed significantly to this increase during the first nine months of 1997. Additionally, as stores mature and become more profitable, and as the number of new stores opened in a year becomes a smaller percentage of the existing store base, cash generated from operations of existing stores should provide a greater portion of funds required for new store inventories and other working capital requirements. Cash utilized for capital expenditures was \$53,249,000 and \$127,827,000 in the first nine months of 1997 and 1996, respectively.

During the 39 weeks ended September 27, 1997, the Company's cash balance increased by \$142,695,000 and long- and short-term debt decreased by \$141,855,000, excluding \$13,443,000 in non-cash accretion of interest on the Company's zero coupon, convertible subordinated debt and the addition of capital leases of \$24,300,000.

The Company has a credit agreement with its principal bank and a syndicate of commercial banks which provides for a working capital line and letters of credit totaling \$300,000,000. The credit agreement provides that funds borrowed will bear interest, at the Company's option, at either .3125% over the LIBOR rate, 1.75% over the Federal Funds rate, a base rate linked to the prime rate, or under a competitive bid facility. The Company must also pay a facility fee of .1875% per annum on the total credit facility. The credit facility currently expires June 30, 2000. As of September 27, 1997, the Company had no outstanding borrowings under the line of credit and had outstanding letters of credit totaling \$13,296,000 under the credit facility. The credit agreement contains certain restrictive covenants relating to various financial statement ratios. In

addition to the credit facility, the bank has provided a lease facility to the Company under which the bank has agreed to purchase up to \$25,000,000 of equipment on behalf of the Company and lease such equipment to the Company. As of September 27, 1997, the Company had utilized approximately \$18,321,000 of this lease facility. In July 1996, the Company entered into an additional lease facility with another bank for up to \$25,000,000 of equipment. As of September 27, 1997, the Company had utilized approximately \$21,484,000 of this additional lease facility.

The Company currently plans to open approximately 25 new office supply stores and relocate one delivery warehouse during the fourth quarter of 1997. Management estimates that the Company's cash requirements, exclusive of pre-opening expenses, will be approximately \$1,900,000 for each additional office supply store, which includes an average of approximately \$1,100,000 for leasehold improvements, fixtures, point-of-sale terminals and other equipment in the stores, as well as approximately \$800,000 for the portion of the store inventories that is not financed by vendors. The cash requirements, exclusive of pre-opening expenses, for a delivery warehouse is expected to be approximately \$5,300,000, which includes an average of \$3,100,000 for leasehold improvements, fixtures and other equipment and \$2,200,000 for the portion of inventories not financed by vendors. In addition, management estimates that each new store and warehouse will require pre-opening expenses of between \$115,000 and \$500,000, depending on the type of facility. In January 1996, the Company entered into a lease commitment for an additional corporate office building which was completed in July 1997. The lease is classified as a capital lease and has initial annual lease commitments of approximately \$2,200,000.

NEW ACCOUNTING PRONOUNCEMENTS

In February 1997, Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," was issued. SFAS No. 128, which supersedes Accounting Principles Board ("APB") Opinion No. 15, requires a dual presentation of basic and diluted earnings per share on the face of the income statement. Basic earnings per share excludes dilution and is computed by dividing income or loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Diluted earnings per share is computed similarly to fully diluted earnings per share under APB Opinion No. 15. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods; earlier application is not permitted. When adopted, all prior-period earnings per share data are required to be restated. For the 13 and 39 weeks ended September 27, 1997, basic earnings per common share, as computed under SFAS No. 128, would be \$0.28 and \$0.72. For the 13 weeks ended September 28, 1996, basic earnings per common share would be the same as primary earnings per common and common equivalent share shown on the accompanying Consolidated Statements of Earnings, and for the 39 weeks then ended, basic earnings per common share would be \$0.60. For the 13 and 39 weeks ended September 27, 1997 and September 28, 1996, diluted

earnings per common share, as computed under SFAS No. 128, would be the same as fully diluted earnings per common and common equivalent share shown on the accompanying Consolidated Statements of Earnings.

In June 1997, SFAS No. 130, "Reporting Comprehensive Income," was issued. SFAS No. 130 requires disclosure of comprehensive income and its components in a company's general purpose financial statements. Comprehensive income is defined as "the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners." Under SFAS No. 130, all items of comprehensive income are to be reported in a "financial statement that is displayed with the same prominence as other financial statements." SFAS 130 does not require a specific format for this financial statement, but does mandate the display of an amount representing total comprehensive income for the period (companies are not required to use the terms "comprehensive income" or "total comprehensive income" in their financial statements). Additionally, the statement requires the classification of items comprising other comprehensive income by their nature, and the accumulated balance of other comprehensive income must be displayed separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. SFAS No. 130 is effective for fiscal years beginning after December 15, 1997, with reclassification of comparative (earlier period) financial statements. The Company does not believe that SFAS No. 130 will have a material effect on the disclosures in its consolidated financial statements.

In June 1997, SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued. SFAS No. 131 establishes standards for the way that public companies report selected information about operating segments in annual financial statements and requires that such companies report selected information about segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS No. 131, which supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," retains the requirement to report information about major customers and requires that a public company report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. SFAS No. 131 requires that a public company report a measure of segment profit or loss, certain specific revenue and expense items, and segment assets. SFAS No. 131 also requires that a public company report descriptive information about the way that the operating segments were determined, the products and services provided by the operating segments, differences between the measurements used in reporting segment information and those used in the enterprise's general-purpose financial statements, and changes in the measurement of segment amounts from period to period. SFAS No. 131 is effective for financial statements issued for periods beginning after December 15, 1997. The Company has not determined the effects, if any, that SFAS No. 131 will have on the disclosures in its consolidated financial statements.

FUTURE OPERATING RESULTS

With the exception of historical matters, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements that involve risks and uncertainties, including those discussed below. The factors discussed below could affect the Company's actual results and could cause the Company's actual results during the remainder of 1997 and beyond to differ materially from those expressed in any forward-looking statement made by the Company.

With respect to the terminated merger, the Company and its Board of Directors believed that the merger would have been in the best interests of its customers and shareholders; however the Company was fully prepared to continue on a stand-alone basis. Many of the initiatives undertaken in planning for the terminated merger have and will continue to strengthen the Company's support systems and operating practices.

The Company's strategy of aggressive store growth has been negatively affected in the short-term by the uncertainty of the terminated merger. The Company currently plans to open approximately 25 additional stores during the fourth quarter of 1997 and 80 to 90 stores in 1998. There can be no assurance that the Company will be able to find favorable store locations, negotiate favorable leases, hire and train employees and store managers, and integrate the new stores in a manner that will allow it to meet its expansion schedule. The failure to be able to expand by opening new stores on plan could have a material adverse effect on the Company's future sales growth and profitability.

The Company competes with a variety of retailers, dealers and distributors in a highly competitive marketplace. High-volume office supply chains, mass merchandisers, warehouse clubs, computer stores and contract stationers that compete directly with the Company operate in most of its geographic markets. This competition will increase in the future as both the Company and these and other companies continue to expand their operations. There can be no assurance that such competition will not have an adverse effect on the Company's business in the future. The opening of additional Office Depot stores, the expansion of the Company's contract stationer business in new and existing markets, competition from other office supply chains, mass merchandisers, warehouse clubs, computer stores and contract stationers, and regional and national economic conditions will all affect the Company's comparable sales results. In addition, the Company's gross margin and profitability would be adversely affected if its competitors were to attempt to capture market share by reducing prices.

In addition, as the Company expands the number of its stores in existing markets, sales of existing stores can suffer. New stores typically take time to reach the levels of sales and profitability of the Company's existing stores, and there can be no assurance that new stores will ever be as profitable as existing stores because of competition from other store chains and the tendency of existing stores to share sales as the Company opens new stores in its more mature markets.

Fluctuations in the Company's quarterly operating results have occurred in the past and may occur in the future. A variety of factors such as new store openings with their concurrent pre-opening expenses, the extent to which new stores are less profitable as they commence operations, the effect new stores have on the sales of existing stores in more mature markets, the pricing activity of competitors in the Company's markets, changes in the Company's product mix, increases and decreases in advertising and promotional expenses, the effects of seasonality, acquisitions of contract stationers and stores of competitors, or other events could contribute to this quarter to quarter variability.

The Company has grown dramatically over the past several years and has shown significant increases in its sales, stores in operation, employees and warehouse and delivery operations. In addition, the Company has acquired a number of contract stationer operations, and the expenses incurred in the integration of acquired facilities in its delivery business have contributed to increased warehouse expenses. These integration costs are expected to continue to impact store and warehouse expenses at decreasing levels through the second quarter of 1998. The failure to achieve the projected decrease in integration costs by the end of the second quarter of 1998 could result in a significant impact on the Company's net income in 1998. The Company's growth, through both store openings and acquisitions, will continue to require the expansion and upgrading of the Company's operational and financial systems, as well as necessitate the hiring of new managers at the store and supervisory level.

The Company has entered a number of international markets using licensing agreements and joint venture arrangements. The Company intends to enter other international markets as attractive opportunities arise. In addition to the risks described above that face the Company's domestic store and delivery operations, internationally the Company also faces the risk of foreign currency fluctuations, local conditions and competitors, obtaining adequate and appropriate inventory and, since its foreign operations are not wholly-owned, a lack of operating control in certain countries.

The Company believes that its current cash and cash equivalents, equipment leased under the Company's existing or new lease financing arrangements and funds available under its revolving credit facility should be sufficient to fund its planned store and delivery center openings and other operating cash needs, including investments in international joint ventures, for at least the next twelve months. However, there can be no assurance that additional sources of financing will not be required during the next twelve months as a result of unanticipated cash demands or opportunities for expansion or acquisition, changes in growth strategy or adverse operating results. Also, alternative financing will be considered if market conditions make it financially attractive. There also can be no assurance that any additional funds required by the Company, whether within the next twelve months or thereafter, will be available to the Company on satisfactory terms.

PART II. OTHER INFORMATION

ITEMS 1 - 3 Not applicable.

ITEM 4 Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Stockholders of Office Depot, Inc. held on October 1, 1997, the following nominees for election as Directors of the Corporation were elected.

NOMINEE	NUMBER OF SHARES	
	FOR	WITHHELD
Cynthia R. Cohen	138,200,039	654,176
Herve Defforey	138,219,517	634,698
David I. Fuente	138,194,462	659,753
W. Scott Hedrick	138,254,671	599,544
James L. Heskett	138,243,262	610,953
John C. Macatee	138,218,507	635,708
Michael J. Myers	138,243,943	610,272
Frank P. Scruggs, Jr.	137,593,928	1,260,287
Peter J. Solomon	138,133,487	720,728

The number of shares of broker non-votes for the election of Directors was none.

The following proposals of the Board of Directors were submitted for adoption. The board proposals were adopted by the votes indicated (which constituted the affirmative vote of more than one-half of the shares voting).

The 1997 - 2001 Office Depot, Inc. Designated Executive Incentive Plan was approved and adopted.

For the Proposal:	138,873,948 Shares
Against the Proposal:	4,243,712 Shares
Abstaining:	620,455 Shares

The number of shares of broker non-votes in the above proposal was none.

Amendments to the Office Depot, Inc. Omnibus Equity Plan were adopted, and the Grant of July 1997 Options (as defined in the Proxy Statement) was approved.

For the Proposal:	113,136,459 Shares
Against the Proposal:	25,084,101 Shares
Abstaining:	633,655 Shares

The number of shares of broker non-votes in the above proposal was none.

The Office Depot, Inc. Long-Term Equity Incentive Plan was approved and adopted.

For the Proposal:	89,716,245 Shares
Against the Proposal:	48,419,621 Shares
Abstaining:	602,249 Shares

The number of shares of broker non-votes in the above proposal was none.

The appointment of Deloitte & Touche LLP as independent public accountants to audit the Corporation's consolidated financial statements for the fiscal year ending December 27, 1997 was approved.

For the Proposal:	138,093,315 Shares
Against the Proposal:	277,090 Shares
Abstaining:	367,710 Shares

The number of shares of broker non-votes in the above proposal was none.

ITEM 5 Not applicable.

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ITEM 6 Exhibits and Reports on Form 8-K

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- a. 27.1 Financial Data Schedule (for SEC use only)
- b. No reports on Form 8-K were filed during the quarter ended September 27, 1997.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OFFICE DEPOT, INC.

(Registrant)

Date: October 29, 1997

By: /S/ BARRY J. GOLDSTIEN

Barry J. Goldstein
Executive Vice President-Finance
and Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT NO. -----	DESCRIPTION -----
27.1	Financial Data Schedule (for SEC use only)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF OFFICE DEPOT, INC. FOR THE QUARTER ENDED SEPTEMBER 27, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS	DEC-27-1997	
	DEC-29-1996	
	SEP-27-1997	
		194,093
		0
		283,909
		18,088
		1,203,777
		1,898,614
		1,000,893
		318,474
		2,833,033
1,055,528		454,984
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		0
		1,602
		1,277,152
2,833,033		4,994,544
		4,994,544
		3,835,381
		4,630,066
		144,870
		9,076
		15,994
		186,143
		73,150
112,993		0
		0
		0
		112,993
		.71
		.69