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

(Mark One)

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

For the quarterly period ended March 28, 1998

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	59-2663954
(State or other jurisdiction incorporation or organization)	(I.R.S. Employer Identification No.)
2200 Old Germantown Road, Delray Beach, Florida	33445
(Address of principal executive offices)	(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 159,142,921 shares of common stock outstanding as of May 7, 1998.

OFFICE DEPOT, INC.

INDEX

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

	13 Weeks Ended March 28, 1998	13 Weeks Ended March 29, 1997
Sales	$1,981,096	$1,772,444
Cost of goods sold and occupancy costs	1,518,638	1,372,903
Gross profit	462,458	399,541
Store and warehouse operating and selling expenses	306,711	274,617
Pre-opening expenses	1,174	791
General and administrative expenses	55,465	46,066
Amortization of goodwill	1,311	1,312
	364,661	322,786
Operating profit	97,797	76,755
Other (income) expense		
Interest expense, net	941	4,753
Equity in (losses) earnings of investees, net	4,507	1,245
Merger costs	--	6,611
Earnings before income taxes	92,349	64,146
Income taxes	36,526	25,359
Net earnings	$ 55,823	$ 38,787
Earnings per common share:		
Basic	$0.35	$0.25
Diluted	0.33	0.24

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

	March 28, 1998 (Unaudited)	December 27, 1997
ASSETS		
Current assets		
Cash and cash equivalents	$ 390,019	$ 199,637
Receivables, net of allowances	422,514	494,942
Merchandise inventories	1,228,658	1,273,753
Deferred income taxes	37,129	35,846
Prepaid expenses	16,357	16,409
Total current assets	2,094,677	2,020,587
Property and equipment, net	688,726	700,663
Goodwill, net of amortization	183,430	184,711
Other assets	89,951	75,128
	$ 3,056,784	$ 2,981,089
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 853,137	$ 868,725
Accrued expenses	222,070	245,915
Income taxes	52,993	20,669
Short-term borrowings and current maturities of long-term debt	2,487	2,473
Total current liabilities	1,130,687	1,137,782
Long-term debt, less current maturities	28,761	29,406
Deferred taxes and other credits	80,194	67,382
Zero coupon, convertible subordinated notes	422,198	417,614
Common stockholders' equity		
Common stock - authorized 400,000,000 shares of $.01 par value; issued 160,907,531 in 1998 and 160,466,708 in 1997	1,609	1,605
Additional paid-in capital	656,498	647,752
Accumulated other comprehensive income	(4,037)	(5,503)
Retained earnings	742,624	686,801
Less: 2,163,447 shares of treasury stock, at cost	(1,750)	(1,750)
	1,394,944	1,328,905
	$ 3,056,784	$ 2,981,089

OFFICE DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
(In thousands, except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Comprehensive Income	Accumulated Other Comprehensive Income
Balance at December 29, 1996	159,417,089	$1,594	$630,049	$527,125	($1,750)		($1,073)
Comprehensive income:							
Net earnings for the period				159,676		$159,676	
Foreign currency translation adjustment						(4,430)	(4,430)
Comprehensive income						$155,246	
Exercise of stock options (including tax benefits)	611,084	6	9,598				
Issuance of stock under employee purchase plan	286,410	3	5,286				
401(k) plan matching contributions	151,190	2	2,800				
Conversion of LYONS to common stock	935	--	19				
Balance at December 27, 1997	160,466,708	1,605	647,752	686,801	(1,750)		(5,503)
(Unaudited):							
Comprehensive Income:							
Net earnings for the period				55,823		55,823	
Foreign currency translation adjustment						1,466	1,466
Comprehensive income						$ 57,289	
Exercise of stock options (including tax benefits)	338,732	3	6,172				
Issuance of stock under employee purchase plan	58,396	1	1,402				
401(k) and deferred compensation plan matching contributions	41,648	--	1,129				
Conversion of LYONS to common stock	2,047	--	43				
Balance at March 28, 1998	160,907,531	$1,609	$656,498	$742,624	($1,750)		(4,037)

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

	13 Weeks Ended March 28, 1998	13 Weeks Ended March 29, 1997
Cash flows from operating activities		
Cash received from customers	$ 1,954,811	$ 1,755,741
Cash paid for merchandise inventories	(1,342,434)	(1,205,937)
Cash paid for store and warehouse operating, selling and general and administrative expenses	(417,242)	(352,074)
Interest received	3,367	510
Interest paid	(986)	(1,333)
Income taxes paid	(3,431)	(3,820)
Net cash provided by operating activities	194,085	193,087
Cash flows from investing activities		
Capital expenditures, net	(11,102)	(21,183)
Net cash used in investing activities	(11,102)	(21,183)
Cash flows from financing activities		
Proceeds from exercise of stock options and sales of stock under employee stock purchase plan	6,564	2,779
Foreign currency translation adjustment	1,466	(920)
Payments on long- and short-term borrowings	(631)	(140,576)
Net cash provided by (used in) financing activities	7,399	(138,717)
Net increase in cash and cash equivalents	190,382	33,187
Cash and cash equivalents at beginning of period	199,637	51,398
Cash and cash equivalents at end of period	$ 390,019	$ 84,585
Reconciliation of net earnings to net cash provided by operating activities		
Net earnings	$ 55,823	$ 38,787
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	26,431	23,691
Provision for losses on inventory and accounts receivable	12,732	10,943
Accreted interest on zero coupon, convertible subordinated notes	4,628	4,377
Contributions of common stock to employee benefit and stock purchase plans	1,283	840
Changes in assets and liabilities		
Decrease in receivables	69,518	33,837
Decrease in merchandise inventories	35,273	74,274
Increase in prepaid expenses, deferred income taxes and other assets	(18,165)	(4,184)
Increase in accounts payable, accrued expenses and deferred credits	6,562	10,522
Total adjustments	138,262	154,300
Net cash provided by operating activities	$ 194,085	$ 193,087

OFFICE DEPOT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The interim financial statements as of March 28, 1998 and for the 13 week periods ended March 28, 1998 and March 29, 1997 are unaudited; however, such interim 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. Certain reclassifications were made to prior year statements to conform to current year presentations. The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 27, 1997.

   The Company maintains licensing agreements for the operation of Office Depot stores in Colombia, Hungary, Israel, Poland and Thailand and joint venture agreements to operate stores in Mexico, France and Japan. In April 1998, the Company increased its ownership share in its Thailand joint venture from 20% to 80%, which will require that the Company consolidate the joint venture's financial results beginning in the second quarter of 1998.

2. In September 1996, the Company entered into an agreement and plan of merger with Staples, Inc. ("Staples"). In June 1997, the proposed merger was blocked by a preliminary injunction granted by the Federal District Court at the request of the Federal Trade Commission. In July 1997, the Company and Staples announced that the merger agreement had been terminated. The Company expensed costs of $6,611,000 during the 13 week period ended March 29, 1997 directly related to the terminated merger. These costs consisted primarily of legal fees, investment banker fees and personnel retention costs.

3. Basic earnings per common share is based upon the weighted average number of shares outstanding during each period. Diluted earnings per common share is determined on the assumption that the zero coupon, convertible subordinated notes were converted as of the beginning of the period and that dilutive stock options were exercised. Net earnings under this assumption have been adjusted for interest on the notes, net of its income tax effect.

The information required to compute basic and diluted earnings per share is as follows:

	13 Weeks Ended March 28, 1998	13 Weeks Ended March 29, 1997
	(in thousands)	
Basic:		
Weighted average number of common shares outstanding	158,502	157,359
Diluted:		
Net earnings	$55,823	$38,787
Interest expense related to convertible notes, net of tax	2,836	2,692
Adjusted net earnings	$58,659	$41,479
Weighted average number of common shares outstanding	158,502	157,359
Shares issued upon assumed conversion of convertible notes	16,564	16,565
Shares issued upon assumed exercise of stock options	4,206	1,937
Shares used in computing diluted earnings per common share	179,272	175,861

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

	13 Weeks Ended March 28, 1998	13 Weeks Ended March 29, 1997
	(in thousands)	
Additional paid-in capital related to tax benefit on stock options exercised	$860	$381
Common stock issued upon conversion of debt	43	--

5. 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. This statement is not required to be applied to interim financial statements in the initial year of its application. The Company has not yet 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 $1,981,096,000 in the first quarter of 1998 from $1,772,444,000 in the first quarter of 1997. Approximately 34% of the increase in sales was due to the 42 new office supply stores opened subsequent to the first quarter of 1997. The remainder of the increase is attributable to the 8% growth in comparable sales for stores and delivery facilities open for more than one year at March 28, 1998. Sales of computers, business machines and related supplies rose slightly as a percentage of total sales in the first quarter of 1998 over the comparable 1997 period, driven primarily by the sales of machine supplies. The average unit sales prices and comparable store sales of computers have decreased from 1997, while the number of units sold has increased.

The Company opened one and closed one office supply store in the first quarter of 1998, bringing the total number of office supply stores open at the end of the first quarter to 602, compared with 562 stores open at the end of the first quarter of 1997. The Company also operated 23 contract stationer and delivery warehouses (customer service centers) at the end of the first quarters of both 1998 and 1997. Several of these are newer, larger facilities which replaced existing facilities. The Company is currently completing the integration and conversion of the contract stationer businesses that were previously acquired by the Company into a national network of facilities, which utilize standard systems and procedures. Additionally, as of March 28, 1998, the Company operated three Images(TM), two Office Depot Express(TM) and five Furniture At Work(TM) stores.

In September 1996, the Company entered into an agreement and plan of merger with Staples, Inc. ("Staples"). In June 1997, the proposed merger was blocked by a preliminary injunction granted by the Federal District Court at the request of the Federal Trade Commission. In July 1997, the Company and Staples announced that the merger agreement had been terminated. The Company expensed costs of $6,611,000 during the 13 week period ended March 29, 1997 directly related to the terminated merger. These costs consisted primarily of legal fees, investment banker fees and personnel retention costs.

Gross profit as a percentage of sales was 23.3% during the first quarter of 1998 as compared with 22.5% during the comparable quarter of 1997. Gross profit as a percentage of sales was positively impacted by purchasing efficiencies gained from vendor discount and rebate programs. While revenue from the sale of business machines and computers has continued to increase as a percentage of total sales, the resulting downward pressure on overall gross profit has declined in the first quarter of 1998 as compared to the first quarter of 1997 since sales of computers, which yield the lowest gross profits in that product category, have decreased as a percentage of sales while sales of business machines and consumable machine supplies, which yield much higher margins, have increased. These improvements in margin were partially offset by lower margins on copy paper and related products. The Company's gross profit as a percentage of sales can fluctuate as a result of numerous factors, including, pricing pressures, changes in product and customer mix, cost fluctuations resulting from suppliers' pricing pressures, as well as the Company's ability to achieve purchasing efficiencies through growth in total merchandise purchases. Additionally, occupancy costs can vary as the Company adds new stores and warehouses to complete its market plan.

Store and warehouse operating and selling expenses as a percentage of sales remained consistent at 15.5% in the first quarters of both 1998 and 1997. 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. In the stores, 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 impact the Company's first quarter 1998 operating margins since new store openings were limited. Since advertising costs are substantially a fixed expense for a market area, they typically decline as a percentage of total sales as the Company increases its market penetration. Late in the fourth quarter of 1997, the Company launched a new advertising campaign, significantly increasing broadcast and cable television exposure. Increased costs during the first quarter of 1998 in connection with this campaign and incremental costs incurred in consolidating and converting its California delivery warehouses offset the decreases in the contract stationer operating expenses. The Company believes that these increased expenses will support future growth in overall profitability and operating margins.

Pre-opening expenses increased to $1,174,000 in the first quarter of 1998 from $791,000 in the comparable quarter of 1997. Pre-opening expenses in the first quarter of 1997 include costs associated with replacing one existing warehouse ("customer service center") with a larger, more functional facility. Preopening expenses in the first quarter of 1998 include costs incurred related to significantly expanding one customer service center and opening one new customer service center to replace three existing facilities. Additionally, the Company added one and closed one office supply store in the first quarter of 1998, as compared with one new store and one replacement store in the comparable 1997 period. Pre-opening expenses, which currently approximate $150,000 per office supply prototype store, are predominately incurred during a six-week period prior to the store opening. Pre-opening expenses for new standard-sized warehouses are approximately $500,000; however, these expenses may vary with the size and type of future customer service centers. These expenses consist principally of amounts paid for salaries and property 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 2.8% for the quarter ended March 28, 1998 from 2.6% for the comparable 1997 period. In the first quarter of 1997, uncertainty surrounding the terminated merger resulted, to some extent, in a decline in corporate personnel. By the end of the first quarter of 1998, the Company had not only replaced most of the corporate personnel who left, but had also strengthened its management team with the addition of several new key executives. While this has resulted in an increase in general and administrative costs, the Company believes the hiring of these key executives will provide benefits in the near future. The Company's continuing commitment to improving the efficiency of its management information systems and expanding its information systems programming staff has and will continue to increase general and administrative expenses in the short term. However, the Company believes that this effort will provide efficiencies in the future. These increases have been offset by decreases in other general and administrative expenses, primarily as a result of the Company's ability to increase sales without a proportionate increase in corporate expenditures. However, there can be no assurance that the Company will be able to continue to increase sales without a proportionate increase in corporate expenditures.

LIQUIDITY AND CAPITAL RESOURCES

Since the Company's inception in March 1986, it has relied upon equity capital, convertible debt, capital equipment leases 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 that allow the Company to finance a portion of its inventory. The Company utilizes private label credit card programs administered and financed by financial services companies, which allow the Company to expand its store sales without the burden of additional receivables.

Sales made to larger customers through the Company's delivery and contract business are generally made pursuant to regular commercial credit terms under which the Company carries its own receivables, as opposed to sales made to smaller customers, who generally pay in cash or by credit card. Thus, as the Company expands its delivery and contract business, it is expected that the Company's 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 the nature of such programs, under which a significant portion of collections are made after an entire program year has been completed.

In the first quarter of 1998, the Company added one and closed one office supply store, compared with one new and one replacement office supply store in the comparable period of 1997. Uncertainty and the loss of certain real estate personnel resulting from the terminated merger with Staples have negatively affected the Company's store opening program through the first quarter of 1998. Net cash provided by operating activities was $194,085,000 in the first quarter of 1998, compared with $193,087,000 provided in the comparable 1997 period. 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 should provide a greater portion of funds required for new store inventories and other working capital requirements. Increases in contract and commercial sales from existing delivery warehouses also leverages assets employed and generates working capital. Cash generated from operations is also affected by increases in receivables carried and increases in inventory as the Company adds additional stores and utilizes additional capacity in its warehouses as part of its expansion plans. Capital expenditures are also affected by the number of stores and warehouses opened or replaced each year and the increase in computer and other equipment at the corporate office required to support such expansion. Cash used for capital expenditures was $11,102,000 in the first three months of 1998 and $21,183,000 in the first three months of 1997.

During the 13 weeks ended March 28, 1998, the Company's cash balance increased by $190,382,000 and long- and short-term debt decreased by $675,000, excluding $4,628,000 in non-cash accretion of interest on the Company's zero coupon, convertible subordinated debt.

The Company entered into a new credit agreement in February 1998, which has replaced its previous credit agreement, with a syndicate of banks which provides for a working capital line and letters of credit totaling $300,000,000. The credit agreement provides that funds borrowed bear interest, at the Company's option: at a rate based on a grid incorporating credit rating and fixed charge coverage ratio factors that currently would result in .21 % over LIBOR, at the higher of .5% over the Federal Funds rate and a base rate linked to the prime rate, or at a rate determined under a competitive bid facility. The Company must also pay a facility fee at a rate based on a grid incorporating credit rating and fixed charge coverage ratio factors that currently would result in a .115% per annum charge on the total credit facility. The credit facility expires in February 2003. The credit agreement contains certain restrictive covenants relating to various financial statement ratios. As of March 28, 1998, the Company had no outstanding borrowings under the credit facility and had outstanding letters of credit totaling $10,016,000 under its previous credit facility. In June 1995, the Company entered into a lease facility under which the bank agreed to purchase up to $25,000,000 of equipment on behalf of the Company and lease such equipment to the Company. As of March 28, 1998, the Company had utilized approximately $21,556,000 of this lease facility.

The Company currently plans to open approximately 80 to 100 stores and significantly expand at least two delivery warehouses during 1998. 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 inventory that is not financed by vendors. The cash requirements for a standard 150,000 square foot delivery warehouse, exclusive of pre-opening expenses, are 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 inventory not financed by vendors. In addition, management estimates that each new store and standard-sized warehouse requires pre-opening expenses of approximately $150,000 and $500,000, respectively. The new warehouses being completed in 1998 are significantly larger than our standard delivery warehouses and are expected to require larger investments and pre-opening costs.

IMPACT OF THE YEAR 2000 ISSUE

The Company is undertaking a comprehensive review of all of its computer software, computer hardware, and other operating equipment and systems to mitigate disruption of its business related to the Year 2000 issue. The Company has retained outside consultants and suppliers to aid in this review. Most of the Company's computer systems have been developed over the past four years, and management believes that they are already Year 2000 compliant. The Company does not expect the costs associated with its Year 2000 compliance program to have a material effect on its financial position or results of its operations. Additionally, the Company is reviewing the Year 2000 issue with its suppliers, shippers, customers and other external business partners. There can be no assurance until 2000, however, that all of the Company's systems, and the systems of its suppliers, shippers, customers and other external business partners will function adequately. If any such systems are not Year 2000 compliant, it could have a material adverse effect on the Company.

NEW ACCOUNTING PRONOUNCEMENTS

The Company will adopt the following Statement of Financial Accounting Standards ("SFAS") in the year ending December 26, 1998.

SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," establishes standards for reporting certain information about the Company's operating segments. These disclosures are to include the reported segments' sales, operating profit, identifiable assets and other certain information. This Statement is effective for fiscal years beginning after December 15, 1997 and will require disclosure of prior period information, if practicable. This statement is not required to be applied to interim financial statements in the initial year of its application. The Company has not yet determined the impact of adopting this pronouncement on its 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 1998 and beyond to differ materially from those expressed in any forward-looking statement made by the Company.

The Company's strategy of aggressive store growth has been negatively affected in the short-term by the terminated merger with Staples. The Company currently plans to open approximately 80-100 additional 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 is expected to increase in the future as both the Company and these and other companies continue to expand their operations. In the future, the Company may also face competition from internet-based merchandisers. There can be no assurance that such competition will not have an adverse effect on the Company's business in the future.

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. The Company's comparable sales results are affected by a number of factors, including 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. 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.

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.

Costs related to the integration of acquired facilities in the Company's delivery business have contributed to increased warehouse expenses, and these integration costs are expected to continue to impact store and warehouse expenses at decreasing levels through 1998. The failure to achieve the projected decrease in integration costs toward the end of 1998 could result in a significant impact on the Company's net income in the future. 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 utilizing licensing and joint venture agreements. The Company intends to enter other international markets as attractive opportunities arise. In addition to the risks described above arising from the Company's domestic store and delivery operations, internationally the Company also faces the risk of foreign currency fluctuations, political and social conditions, obtaining adequate and appropriate inventory and, since its foreign operations are not wholly-owned, compromised operating control in certain countries.

The Company believes that its current cash and cash equivalents, 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 1-5 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 March 28, 1998.

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: May 11, 1998 By: /s/ Barry J. Goldstein

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

INDEX TO EXHIBITS

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF OFFICE DEPOT, INC. FOR THE QUARTER ENDED MARCH 28, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS
DEC-26-1998
DEC-28-1997
MAR-28-1998
390,019
0
287,454
21,036
1,228,658
2,094,677
1,048,837
360,111
3,056,784
1,130,687
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1,981,096
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5,407
92,349
36,526
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55,823
.35
.33