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Staples, Inc. Reports Record Sales and Earnings For Fourth Quarter and Fiscal 2006

Earnings Per Share Increased 24 Percent for the Fourth Quarter and 27 Percent for the Fiscal Year
Company to Increase Annual Cash Dividend by 32 Percent

FRAMINGHAM, Mass., March 1, 2007 -- Staples, Inc. (NASDAQ: SPLS) announced today the results for its fourth quarter (14 weeks) and fiscal year (53 weeks) ended February 3, 2007. Total company sales for the fourth quarter grew 18 percent to \$5.3 billion compared to the same quarter of 2005. North American Retail revenues increased 14 percent and North American Delivery sales increased 24 percent. International sales grew 16 percent in local currency or 27 percent in US dollars. Total company net income of \$336 million rose 22 percent, and earnings per share of \$0.46, on a diluted basis, rose 24 percent compared to the fourth quarter of 2005. North American Retail comparable store sales, calculated on a 13 week basis, rose one percent versus last year and, in Europe, comparable store sales increased five percent.

Excluding \$370 million of total company sales during the extra week in the fourth quarter, sales increased 10 percent compared to last year. Excluding North American Retail sales of \$210 million and North American Delivery sales of \$129 million during the extra week in the fourth quarter, North American Retail sales increased six percent and North American Delivery revenues increased 14 percent. Excluding International sales of \$31 million during the extra week in the fourth quarter, sales grew 11 percent in local currency or 22 percent in US dollars.

For fiscal year 2006, sales reached \$18.2 billion, a 13 percent increase compared to 2005. Full year North American Retail sales rose 10 percent and North American Delivery revenues increased 19

percent. In 2006, e-commerce sales of \$4.9 billion increased 28 percent versus last year. International sales rose 10 percent in local currency or 13 percent in US dollars. The company reported 2006 net income of \$974 million, a 24 percent increase versus last year. Earnings per share of \$1.32, on a diluted basis, rose 27 percent versus 2005. Adjusted for the impact of favorable tax events and the correction for prior years' stock-based compensation reported in the third quarter, earnings per share were \$1.28. Both North American Retail and European comparable store sales, calculated on a 52 week basis, increased three percent for the year. The company generated \$637 million in free cash flow after \$528 million in capital expenditures.

Excluding the 53rd week in 2006, total company sales increased 11 percent versus last year. Excluding the extra week, North American Retail sales increased eight percent, North American Delivery revenues increased 16 percent, and International sales grew eight percent in local currency, or 11 percent in US dollars.

“Our 74,000 associates delivered another terrific year in 2006,” said Ron Sargent, Staples’ chairman and CEO. “We drove strong top and bottom line growth, while investing in new ideas and making steady progress on the key initiatives that will continue to drive our business.”

Key company accomplishments in 2006:

Total Company

- FY2006 total company operating margin increased 38 basis points to 8.1 percent.
- Inventory turns increased 16 basis points to 5.92 times, continuing to demonstrate the benefits of the Summit supply chain program.
- Staples’ own brand products reached 20 percent of sales for the year and the company established a long-term goal to reach 30 percent of sales.
- Staples branded aisles are featured in more than 2,400 grocery stores throughout the US, including more than 1,500 Safeway locations.

North American Retail

- FY2006 operating margin in North American Retail increased 30 basis points to 9.6 percent.
- In Q4, the company experienced positive customer traffic and solid performance in key categories, such as office supplies, ink, and copy & print.

- Staples opened 99 stores in 2006, including 23 stores in new markets and three stand alone Copy & Print shops in the Boston area. The company ended the year with 1,620 stores in North America.
- The company re-launched and re-branded its technology services initiative, EasyTech. Every Staples store in the US offers an in-store technician to help customers with services such as hardware and software installations, data protection, and security.

North American Delivery

- FY2006 operating margin in North American Delivery increased 40 basis points to 10.7 percent.
- The company continues to increase sales to existing customers through “share of wallet” initiatives. North American Delivery added capabilities in IT products and services, and expanded its assortment of industrial packaging supplies through its strategic acquisitions of Thrive Networks and Chiswick.
- Staples opened three fulfillment centers in 2006, in Atlanta, Orlando, and Chicago. In 2007, Staples plans to open a new fulfillment center in Denver.

International

- International operations improved operating margin by 149 basis points to 2.1 percent for the full year.
- New advertising and direct mail campaigns are showing positive results in European retail. In Q4, Staples’ comparable store sales in European retail rose five percent, with five percent comparable store sales in the UK, its best quarterly comp performance since 2003.
- In Q4 and FY2006, Staples European Catalog drove strong sales and doubled operating margin, with particularly solid improvement in France and Italy.
- The company announced a joint venture in India with Pantaloon Retail Limited, and plans to acquire Pei Pei, a chain of office products retail stores in the Jiangsu province near Shanghai, China.

The company also announced an annual cash dividend of \$0.29 per share payable on April 19, 2007, to shareholders of record on March 30, 2007. This represents a 32 percent increase versus 2006.

“With great people, solid execution, and many new growth ideas, Staples is well positioned to continue to build on our success in 2007,” said Sargent.

Q1 2007 Outlook

The company expects to achieve high single-digit growth on the top line and a positive, low single-digit comparable store sales increase in North American Retail. Staples expects mid single-digit sales growth in North American Retail, with the calendar shift resulting from the 53rd week in 2006 reducing sales growth expectations by approximately two percentage points. Staples anticipates mid-teens growth in North American Delivery, and high single-digit sales growth in local currency in International. The company expects to achieve earnings per share growth of 15 to 20 percent.

FY2007 Outlook

The company’s guidance for 2007 is based on comparison to 2006 performance adjusted for the 53rd week, the third quarter earnings per share impact of favorable tax events, and the correction for prior years’ stock-based compensation. Excluding these items, the company expects earnings per share growth of 15 to 20 percent for the full year 2007, equating to a range of \$1.43 to \$1.49 of earnings per share, or eight to 13 percent earnings growth on a GAAP basis. Excluding the extra week, Staples expects low double-digit sales growth for the total company, or high single-digit sales growth on a GAAP basis. Staples expects a positive, low single-digit comparable sales increase in North American Retail. Excluding the additional week in 2006, the company expects to grow North American Delivery revenues in the mid-teens, or low-teens on a GAAP basis, and in International, Staples expects low double-digit growth in local currency.

Presentation of Non-GAAP Information

This press release presents earnings per share results both with and without the favorable tax events and stock based compensation correction described above and certain comparable period measures that exclude the 53rd week in fiscal 2006. The presentation of results that exclude these items are non-GAAP financial measures that should be considered in addition to, and should not be considered superior to or as a substitute for, the presentation of results determined in accordance with GAAP. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are provided below under the heading “Reconciliation of GAAP to Non-GAAP Financial

Measures.” Management believes that the non-GAAP financial measures presented in this press release provide a more meaningful comparison of the company’s year-over-year performance. Management also uses these non-GAAP financial measures to evaluate the company’s core operating results against plan, to compare the company’s performance to that of its competitors, and to provide earnings guidance to the investing community.

Today's Conference Call

The company will host a conference call today at 8:00 a.m. (ET) to review these results and its outlook. Investors may listen to the call at <http://investor.staples.com>.

About Staples

Staples, Inc. invented the office superstore concept in 1986 and today is the world's largest office products company. With 74,000 talented associates, the company is committed to making it easy to buy a wide range of office products, including supplies, technology, furniture, and business services. With 2006 sales of \$18.2 billion, Staples serves consumers and businesses ranging from home-based businesses to Fortune 500 companies in 21 countries throughout North and South America, Europe and Asia. Headquartered outside of Boston, Staples operates approximately 1,900 office superstores and also serves its customers through mail order catalog, e-commerce and contract businesses. More information is available at www.staples.com.

Certain information contained in this news release constitutes forward-looking statements for purposes of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995 including, but not limited to, the information set forth under the headings “Q1 2007 Outlook” and “FY2007 Outlook” and other statements regarding our future business and financial performance. Actual results may differ materially from those indicated by such forward-looking statements as a result of risks and uncertainties, including but not limited to: our market is highly competitive and we may not continue to compete successfully; we may be unable to continue to open new stores and enter new markets successfully; our growth may continue to strain operations, which could adversely affect our business and financial performance; our operating results may be impacted by changes in the economy that impact business and consumer spending; our business and financial performance is dependent upon our ability to attract and retain qualified associates; our stock price may fluctuate based on market expectations; our quarterly operating results are subject to significant fluctuation; our expanding international operations expose us to the unique risks inherent in foreign operations; our business may be adversely affected by the actions of and risks associated with our third party vendors; our expanded offering of

proprietary branded products may not improve our financial performance and may expose us to product liability claims; our debt level and operating lease commitments could impact our ability to obtain future financing and continue our growth strategy; fluctuations in our effective tax rate may adversely affect our business and results of operations; compromises of our information security may adversely affect our business; a California wage and hour class action lawsuit may adversely affect our business and financial performance; and those other factors discussed or referenced in our most recent annual report on Form 10-K filed with the SEC, under the heading “Risk Factors” and elsewhere, and any subsequent periodic reports filed by us with the SEC. In addition, any forward-looking statements represent our estimates only as of today and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change.

Financial information follows.

STAPLES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollar Amounts in Thousands, Except Share Data)

	February 3, 2007	January 28, 2006
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 1,017,671	\$ 977,822
Short-term investments.....	457,759	593,082
Receivables, net.....	720,797	576,672
Merchandise inventories, net.....	1,919,714	1,706,372
Deferred income tax asset.....	141,108	149,257
Prepaid expenses and other current assets.....	174,314	141,339
Total current assets.....	4,431,363	4,144,544
 Property and equipment:		
Land and buildings.....	791,264	705,978
Leasehold improvements.....	996,434	884,853
Equipment.....	1,539,617	1,330,181
Furniture and fixtures.....	757,408	672,931
Total property and equipment.....	4,084,723	3,593,943
Less accumulated depreciation and amortization.....	2,110,602	1,835,549
Net property and equipment	1,974,121	1,758,394
 Lease acquisition costs, net of accumulated amortization.....	 33,579	 34,885
Intangible assets, net of accumulated amortization.....	232,383	240,395
Goodwill.....	1,455,113	1,378,752
Other assets.....	270,706	175,750
Total assets.....	\$ 8,397,265	\$ 7,732,720
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 1,486,188	\$ 1,435,815
Accrued expenses and other current liabilities.....	1,101,018	1,041,201
Debt maturing within one year.....	201,177	2,891
Total current liabilities.....	2,788,383	2,479,907
 Long-term debt	 316,465	 527,606
Deferred income tax liability.....	8,986	5,845
Other long-term obligations.....	252,657	233,426
Minority interest.....	9,109	4,335
 Stockholders' Equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized; no shares issued.....	-	-
Common stock, \$.0006 par value, 2,100,000,000 shares authorized; issued 849,338,568 shares at February 3, 2007 and 829,695,100 shares at January 28, 2006.....	510	498
Additional paid-in capital.....	3,338,412	2,937,362
Cumulative foreign currency translation adjustments.....	189,115	87,085
Retained earnings	4,005,424	3,192,630
Less: treasury stock at cost, 130,605,591 shares at February 3, 2007 and 99,253,565 shares at January 28, 2006	(2,511,796)	(1,735,974)
Total stockholders' equity.....	5,021,665	4,481,601
Total liabilities and stockholders' equity.....	\$ 8,397,265	\$ 7,732,720

STAPLES, INC. AND SUBSIDIARIES
Consolidated Statements of Income
(Dollar Amounts in Thousands, Except Share Data)

	(Unaudited)			
	Fourth Quarter Ended		Fiscal Year Ended	
	February 3, 2007	January 28, 2006	February 3, 2007	January 28, 2006
	(14 Weeks)	(13 Weeks)	(53 Weeks)	(52 Weeks)
Sales.....	\$ 5,285,919	\$ 4,462,317	\$ 18,160,789	\$ 16,078,852
Cost of goods sold and occupancy costs.....	3,739,977	3,151,635	12,966,788	11,496,234
Gross profit.....	1,545,942	1,310,682	5,194,001	4,582,618
Operating and other expenses:				
Operating and selling.....	807,327	691,712	2,946,249	2,647,567
General and administrative.....	211,155	181,676	770,268	687,962
Amortization of intangibles.....	4,748	2,987	14,415	13,008
Total operating expenses.....	1,023,230	876,375	3,730,932	3,348,537
Operating income.....	522,712	434,307	1,463,069	1,234,081
Other income (expense):				
Interest income.....	15,910	19,218	58,839	59,937
Interest expense.....	(11,132)	(16,825)	(47,810)	(56,774)
Miscellaneous expense.....	(1,849)	(859)	(2,770)	(1,945)
Income before income taxes and minority interest.....	525,641	435,841	1,471,328	1,235,299
Income tax expense.....	189,230	159,082	497,972	450,884
Income before minority interests.....	336,411	276,759	973,356	784,415
Minority interest (income) expense.....	(87)	47	(321)	298
Net Income.....	\$ 336,498	\$ 276,712	\$ 973,677	\$ 784,117
<u>Earnings per common share</u>				
Basic.....	\$ 0.47	\$ 0.38	\$ 1.35	\$ 1.07
Diluted.....	\$ 0.46	\$ 0.37	\$ 1.32	\$ 1.04
Dividends declared per common share.....			\$ 0.22	\$ 0.17
Weighted average shares outstanding:				
Basic.....	714,704,854	727,431,802	720,527,652	731,621,899
Diluted.....	734,107,022	746,371,861	739,678,366	750,416,350

STAPLES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Dollar Amounts in Thousands)

	Fiscal Year Ended	
	February 3, 2007	January 28, 2006
Operating activities:		
Net income	\$ 973,677	\$ 784,117
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	339,299	303,900
Stock-based compensation.....	168,736	129,806
Deferred income tax (benefit) expense	(65,401)	(96,189)
Excess tax benefits from stock-based compensation arrangements	(36,069)	(36,748)
Other	(365)	(6,513)
Change in assets and liabilities, net of companies acquired:		
Increase in receivables.....	(128,010)	(80,166)
Increase in merchandise inventories.....	(191,957)	(97,538)
Increase in prepaid expenses and other assets.....	(44,298)	(15,646)
Increase in accounts payable.....	34,379	187,402
Increase in accrued expenses and other current liabilities.....	93,175	105,274
Increase in other long-term obligations.....	21,823	20,922
Net cash provided by operating activities.....	1,164,989	1,198,621
Investing activities:		
Acquisition of property and equipment.....	(528,475)	(456,103)
Acquisition of businesses, net of cash acquired.....	(29,654)	(40,560)
Investment in joint venture, net of cash acquired	(2,096)	(16,636)
Proceeds from the sale of short-term investments.....	8,358,384	8,097,199
Purchase of short-term investments.....	(8,223,063)	(8,218,049)
Net cash used in investing activities.....	(424,904)	(634,149)
Financing activities:		
Proceeds from the exercise of stock options and the sale of stock under employee stock purchase plans.....	195,263	181,997
Proceeds from borrowings.....	-	535
Payments on borrowings.....	(5,191)	(16,735)
Cash dividends paid.....	(160,883)	(123,402)
Excess tax benefits from stock-based compensation arrangements	36,069	36,748
Purchase of treasury stock, net.....	(775,822)	(663,145)
Net cash used in financing activities.....	(710,564)	(584,002)
Effect of exchange rate changes on cash.....	10,328	42
Net increase (decrease) in cash and cash equivalents.....	39,849	(19,488)
Cash and cash equivalents at beginning of period.....	977,822	997,310
Cash and cash equivalents at end of period.....	\$ 1,017,671	\$ 977,822

STAPLES, INC. AND SUBSIDIARIES
Segment Reporting
(Dollar Amounts in Thousands)

	(Unaudited)			
	Fourth Quarter Ended		Fiscal Year Ended	
	February 3, 2007	January 28, 2006	February 3, 2007	January 28, 2006
	(14 Weeks)	(13 Weeks)	(53 Weeks)	(52 Weeks)
Sales:				
North American Retail.....	\$ 2,922,431	\$ 2,568,674	\$ 9,938,885	\$ 9,037,513
North American Delivery.....	1,644,933	1,328,225	5,863,094	4,945,661
International Operations.....	718,555	565,418	2,358,810	2,095,678
Consolidated.....	\$ 5,285,919	\$ 4,462,317	\$ 18,160,789	\$ 16,078,852
Business Unit Income:				
North American Retail	\$ 329,071	\$ 296,478	\$ 956,565	\$ 843,140
North American Delivery.....	192,489	153,101	624,729	507,131
International Operations.....	38,976	21,057	50,511	13,616
Business unit income.....	560,536	470,636	1,631,805	1,363,887
Stock-based compensation.....	(37,824)	(36,329)	(168,736)	(129,806)
Consolidated.....	522,712	434,307	1,463,069	1,234,081
Other income (expense)	2,929	1,534	8,259	1,218
Income before income taxes and minority interest.....	\$ 525,641	\$ 435,841	\$ 1,471,328	\$ 1,235,299

STAPLES, INC. AND SUBSIDIARIES
Proforma Segment Sales Data
Excluding the 53rd Week in Fiscal 2006
(Dollar Amounts in Thousands)

	(Unaudited)		
	Fourth Quarter Ended February 3, 2007		
	As Reported	Less	Proforma
	(14 Weeks)	14th Week	(13 Weeks)
Sales:			
North American Retail.....	\$ 2,922,431	\$ 210,130	\$ 2,712,301
North American Delivery.....	1,644,933	128,510	1,516,423
International Operations.....	718,555	31,134	687,421
Consolidated.....	\$ 5,285,919	\$ 369,774	\$ 4,916,145
Fiscal Year Ended February 3, 2007			
As Reported	Less	Proforma	
(53 Weeks)	53rd Week	(52 Weeks)	
Sales:			
North American Retail.....	\$ 9,938,885	\$ 210,130	\$ 9,728,755
North American Delivery.....	5,863,094	128,510	5,734,584
International Operations.....	2,358,810	31,134	2,327,676
Consolidated.....	\$ 18,160,789	\$ 369,774	\$ 17,791,015

Reconciliation of GAAP to Non-GAAP Financial Measures

STAPLES, INC. AND SUBSIDIARIES
 Proforma Consolidated Statement of Income
 (Dollar Amounts in Thousands, Except Share Data)

Fiscal Year Ended February 3, 2007*				
	As reported	Tax benefit	Correction for prior years' stock- based compensation	Pro forma
Sales.....	\$ 18,160,789	\$ -	\$ -	\$ 18,160,789
Cost of goods sold and occupancy costs.....	12,966,788	-	(343)	12,966,445
Gross profit.....	5,194,001	-	343	5,194,344
Operating and other expenses:				
Operating and selling.....	2,946,249	-	(3,887)	2,942,362
General and administrative.....	770,268	-	(6,599)	763,669
Amortization of intangibles.....	14,415	-	-	14,415
Total operating expenses.....	3,730,932	-	(10,486)	3,720,446
Operating income.....	1,463,069	-	10,829	1,473,898
Other income (expense):				
Interest income.....	58,839	-	-	58,839
Interest expense.....	(47,810)	-	-	(47,810)
Miscellaneous expense.....	(2,770)	-	-	(2,770)
Income before income taxes and minority interest.....	1,471,328	-	10,829	1,482,157
Income tax expense.....	497,972	33,343	2,262	533,577
Income before minority interests.....	973,356	(33,343)	8,567	948,580
Minority interest (income) expense	(321)	-	-	(321)
Net Income	\$ 973,677	\$ (33,343)	\$ 8,567	\$ 948,901
<u>Earnings per common share</u>				
Basic	\$ 1.35	\$ (0.05)	\$ 0.01	\$ 1.32
Diluted	\$ 1.32	\$ (0.05)	\$ 0.01	\$ 1.28
Weighted average shares outstanding:				
Basic.....	720,527,652			
Diluted.....	739,678,366			

* The earnings per share data presented reflects the 53 weeks ended February 3, 2007. Below is a summary of the impact of the extra week on both the fourth quarter and the full year diluted earnings per share amount.

	As Reported February 3, 2007 (14 Weeks)	Less 14th Week	Proforma February 3, 2007 (13 Weeks)
Diluted earnings per common share	\$ 0.46	\$ 0.05	\$ 0.41
	Proforma February 3, 2007 (53 Weeks)	Less 53rd Week	Proforma February 3, 2007 (52 Weeks)
Diluted earnings per common share	\$ 1.28	\$ 0.04	\$ 1.24