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Staples, Inc. Reports First Quarter Performance

Earnings Per Share Rose 16 Percent and Sales Increased Eight Percent

FRAMINGHAM, Mass., May 22, 2007 -- Staples, Inc. (Nasdaq: SPLS) announced today the results for its first quarter ended May 5, 2007. Total company sales increased eight percent to \$4.6 billion compared to the first quarter of 2006. Net income rose 12 percent year over year to \$209 million, and earnings per share, on a diluted basis, increased 16 percent to \$0.29, from the \$0.25 achieved in the first quarter of last year.

First quarter North American Retail comparable sales increased one percent versus 2006, reflecting strong comps in laptop computers, peripherals, and business software coupled with continued growth in copy and print services. This growth was offset by flat performance in core office supplies and weak performance in furniture and business machines. Total North American Retail sales grew three percent. North American Delivery continued its industry-leading growth, increasing sales 15 percent versus last year's first quarter. International sales increased 16 percent in US dollars, benefiting from a \$58 million foreign currency impact, and increased five percent in local currency.

"We are pleased with our overall performance in the first quarter, growing earnings per share twice as fast as sales while maintaining our investments in new growth ideas," said Ron Sargent, Staples' chairman and chief executive officer. "Our North American Delivery business is benefiting from terrific top line sales momentum and our International business remains firmly on track to drive significant profit improvement. North American Retail gained market share in many categories and delivered solid operating profit margins despite softer than expected sales growth."

Highlights for the first quarter include:

- Total company operating income improved 28 basis points year over year to 7.03 percent, with all three business units growing profits faster than sales.
- North American Retail operating income was 8.02 percent, up 19 basis points versus 2006, reflecting strong expense control in a softer than expected sales environment.
- North American Delivery drove strong sales growth across all major product categories, achieved excellent customer satisfaction scores, and improved supply chain metrics, driving a 17 basis point improvement in operating income to 9.53 percent.
- The company agreed to purchase American Identity, one of the largest global distributors of promotional products, expanding the range of products available to Staples' customers.
- Profits grew 47 percent in the International segment, reflecting sustained progress in the company's profit improvement efforts in Europe and continued investment in Asia and South America.
- Inventory turns rose 4 basis points to 5.84 times.
- Staples opened 24 new stores in the United States, opened three new stores in Europe (one each in Germany, Portugal and Belgium), and added 17 stores in China, including those in the recent Pei Pei acquisition. The company now operates 1,927 stores worldwide.
- The company generated \$128 million in free cash flow during the first quarter of the year after \$64 million in capital expenditures.
- The company repurchased 7.2 million shares of its stock for \$188 million and spent \$208 million to pay its annual dividend during the quarter.

Outlook

In view of the softer than expected sales environment in our North American Retail business during the first quarter, the company is taking a more cautious approach regarding expectations for the remainder of the year. Staples is maintaining its earnings guidance for 15 to 20 percent growth for both the second quarter and the full year, but now anticipates earnings per share growth at the low end of the range. This guidance reflects adjustments to 2006 earnings, including the 53rd week benefit, favorable tax

events and prior years' stock-based compensation, and equates to a range of \$1.43 to \$1.49 for the fiscal year 2007. Staples anticipates double-digit sales growth for the total company and a low single digit comp for North American Retail for the second quarter. For fiscal year 2007, adjusting for the extra week in 2006, Staples anticipates double-digit sales growth for the total company and a low single-digit comp for North American Retail.

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 22 countries throughout North and South America, Europe and Asia. Headquartered outside of Boston, Staples operates more than 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 heading "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)

	May 5, 2007 (Unaudited)	February 3, 2007
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 883,468	\$ 1,017,671
Short-term investments.....	403,938	457,759
Receivables, net.....	738,832	720,797
Merchandise inventories, net.....	1,997,586	1,919,714
Deferred income tax asset.....	126,924	141,108
Prepaid expenses and other current assets.....	186,623	174,314
Total current assets.....	4,337,371	4,431,363
Property and equipment:		
Land and buildings.....	811,162	791,264
Leasehold improvements.....	1,004,702	996,434
Equipment.....	1,602,610	1,539,617
Furniture and fixtures.....	778,662	757,408
Total property and equipment.....	4,197,136	4,084,723
Less accumulated depreciation and amortization.....	2,219,164	2,110,602
Net property and equipment.....	1,977,972	1,974,121
Lease acquisition costs, net of accumulated amortization.....	33,998	33,579
Intangible assets, net of accumulated amortization.....	223,394	232,383
Goodwill.....	1,505,542	1,455,113
Other assets.....	282,611	270,706
Total assets.....	\$ 8,360,888	\$ 8,397,265
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 1,493,181	\$ 1,486,188
Accrued expenses and other current liabilities.....	958,383	1,101,018
Debt maturing within one year.....	202,035	201,177
Total current liabilities.....	2,653,599	2,788,383
Long-term debt	320,555	316,465
Deferred income tax liability.....	9,176	8,986
Other long-term obligations.....	323,190	252,657
Minority interest.....	10,138	9,109
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 854,300,147 shares at May 5, 2007 and 849,338,568 shares at February 3, 2007.....	513	510
Additional paid-in capital.....	3,460,632	3,338,412
Cumulative foreign currency translation adjustments.....	283,467	189,115
Retained earnings	4,007,016	4,005,424
Less: Treasury stock at cost - 138,099,976 shares at May 5, 2007, and 130,605,591 shares at February 3, 2007.....	(2,707,398)	(2,511,796)
Total stockholders' equity.....	5,044,230	5,021,665
Total liabilities and stockholders' equity.....	\$ 8,360,888	\$ 8,397,265

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

	13 weeks ended	
	May 5, 2007	April 29, 2006
Sales.....	\$ 4,589,465	\$ 4,237,646
Cost of goods sold and occupancy costs.....	3,304,526	3,048,649
Gross profit	1,284,939	1,188,997
Operating and other expenses:		
Operating and selling.....	759,714	716,157
General and administrative.....	199,181	183,723
Amortization of intangibles.....	3,433	3,203
Total operating expenses	962,328	903,083
Operating income.....	322,611	285,914
Other income (expense):		
Interest income.....	15,551	19,517
Interest expense.....	(11,135)	(14,656)
Miscellaneous expense.....	(597)	(428)
Income before income taxes and minority interest	326,430	290,347
Income tax expense.....	117,515	104,525
Income before minority interest	208,915	185,822
Minority interest.....	(228)	(252)
Net income	\$ 209,143	\$ 186,074
 Earnings Per Share:		
Basic earnings per common share.....	\$ 0.29	\$ 0.26
Diluted earnings per common share.....	\$ 0.29	\$ 0.25
Dividends declared per common share.....	\$ 0.29	\$ 0.22
 Weighted average shares outstanding:		
Basic.....	711,498,997	725,767,271
Diluted.....	728,916,934	744,303,611

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

	13 Weeks Ended	
	May 5, 2007	April 29, 2006
Operating Activities:		
Net income	\$ 209,143	\$ 186,074
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	93,560	79,704
Stock-based compensation.....	34,260	34,962
Deferred tax benefit	23,632	882
Excess tax benefits from stock-based compensation arrangements	(12,555)	(14,856)
Other.....	(2,587)	1,777
Changes in assets and liabilities:		
Increase in receivables.....	(10,272)	(27,152)
Increase in merchandise inventories.....	(49,600)	(35,451)
Increase in prepaid expenses and other assets.....	(15,347)	(8,863)
Decrease in accounts payable.....	(11,618)	(4,460)
Decrease in accrued expenses and other liabilities.....	(121,417)	(53,256)
Increase in other long-term obligations.....	55,113	8,954
Net cash provided by operating activities.....	192,312	168,315
Investing Activities:		
Acquisition of property and equipment.....	(64,101)	(114,557)
Investment in joint ventures, net of cash acquired.....	(7,299)	-
Purchase of short-term investments.....	(2,083,962)	(2,257,198)
Proceeds from the sale of short-term investments.....	2,137,785	2,351,975
Net cash used in investing activities.....	(17,577)	(19,780)
Financing Activities:		
Proceeds from the exercise of stock options and the sale of stock under employee stock purchase plans.....	63,933	55,141
Proceeds from borrowings.....	887	-
Payments on borrowings.....	(675)	(1,487)
Cash dividends paid.....	(207,551)	(160,490)
Excess tax benefits from stock-based compensation arrangements	12,555	14,856
Purchase of treasury stock, net.....	(195,602)	(168,522)
Net cash used in financing activities.....	(326,453)	(260,502)
Effect of exchange rate changes on cash and cash equivalents.....	17,515	9,257
Net decrease in cash and cash equivalents.....	(134,203)	(102,710)
Cash and cash equivalents at beginning of period.....	1,017,671	977,822
Cash and cash equivalents at end of period.....	\$ 883,468	\$ 875,112

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

	(Unaudited)	
	13 Weeks Ended	
	May 5, 2007	April 29, 2006
Sales:		
North American Retail.....	\$ 2,363,603	\$ 2,305,912
North American Delivery.....	1,593,029	1,387,239
International Operations.....	632,833	544,495
Total sales.....	\$ 4,589,465	\$ 4,237,646
Business Unit Income:		
North American Retail	\$ 189,552	\$ 180,461
North American Delivery.....	151,830	129,895
International Operations.....	15,489	10,520
Total business unit income.....	\$ 356,871	\$ 320,876
Stock-based compensation.....	(34,260)	(34,962)
Total reportable segments.....	322,611	285,914
Interest and other income, net.....	3,819	4,433
Income before income taxes and minority interest.....	\$ 326,430	\$ 290,347