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## **Staples, Inc. Announces Third Quarter Performance**

**FRAMINGHAM, Mass., November 27, 2007** -- Staples, Inc. (Nasdaq: SPLS) announced today the results for its third quarter ended November 3, 2007. Total company sales increased nine percent to \$5.2 billion compared to the third quarter of 2006. Net income, on a GAAP basis, declined five percent year over year to \$275 million, and net income on a pro forma basis grew 13 percent to \$299 million. Diluted earnings per share, on a GAAP basis, decreased three percent to 38 cents, and diluted earnings per share on a pro forma basis were 42 cents, a 17 percent increase versus the third quarter of 2006.

Third quarter 2007 earnings results reflect a pre-tax charge of \$38 million (\$24 million after-tax) related to the previously disclosed settlement of California wage and hour class action litigation. Third quarter 2006 earnings results reflected a lower tax rate due to the previously disclosed favorable resolution of certain tax matters, and a correction for prior years' stock-based compensation.

“While the economic environment in North America remains challenging, we are pleased to deliver profitable growth.” said Ron Sargent, Staples' chairman and chief executive officer. “We are executing well, doing the right things for our customers, and investing for the future. We have built a balanced portfolio of businesses that continues to deliver solid results.”

North American Retail sales grew three percent in the third quarter, and comparable store sales decreased three percent versus 2006, reflecting lower sales in business machines, furniture and computers partially offset by strong sales in copy and print centers and positive sales in core office supplies. North American Delivery continued its industry-

leading growth, increasing sales 15 percent versus last year's third quarter. Total International sales increased 18 percent in US dollars, benefiting from a \$55 million foreign currency impact, and increased eight percent in local currency. International comparable store sales were flat versus 2006.

Highlights for the third quarter include:

- Total company operating income rate on a GAAP basis declined 17 basis points year over year to 8.29 percent. Total company operating income rate, excluding previously disclosed adjustments for the third quarters of 2007 and 2006, improved 34 basis points year over year to 9.02 percent.
- North American Retail operating income rate was 11.12 percent, up 23 basis points versus 2006, reflecting favorable mix as well as tight expense controls.
- North American Delivery drove strong sales growth across all major product categories, achieved excellent service and operational execution, and improved supply chain metrics, driving a 21 basis point improvement in operating income rate to 10.85 percent.
- International Operations continued to drive significant profit improvement with operating income rate improving 185 basis points to 3.34 percent. Both retail and delivery contributed to this strong performance.
- Staples reached a significant milestone with the opening of its 2000th store.
- The company opened 37 new stores in the United States, six new stores in Canada, one new store in the Netherlands and closed one store in the UK. Staples opened two new stores and one Staples UPS Express joint venture store in China. Staples now operates 2,008 stores worldwide.
- The company has generated \$533 million of free cash flow year-to-date after \$316 million of capital expenditures, compared to free cash flow of \$277 million for the same period last year.
- Staples repurchased 8.0 million shares of its stock for \$181 million during the quarter. Year-to-date the company has repurchased 23.3 million shares for \$567 million.

#### **Q4 & FY2007 Outlook**

Staples expects to achieve earnings per share growth of approximately 15 percent for both the fourth quarter and the full year. This guidance excludes the previously disclosed impact to 2007 earnings for the charge related to the litigation settlement as well as the previously disclosed impact to 2006 earnings for the 53rd week benefit, favorable tax events and the charge for prior years' stock-based compensation. Staples anticipates low double-digit sales growth for the total company in the fourth quarter. Staples expects flat to slightly negative same store sales and high single-digit sales growth in North American Retail, mid-teens sales growth in North American Delivery, and high single-digit sales growth in local currency in International for the fourth quarter.

#### **FY2008 Outlook**

The company expects to achieve high single-digit sales growth for the total company and a low single-digit comparable sales increase in North American Retail. The company expects to grow North American Delivery revenues in the low to mid-teens, and in International, Staples expects low double-digit growth in local currency. Based on the company's cautious outlook for 2008 and continued investment in growth initiatives, the company expects to achieve low teens earnings per share growth excluding the previously disclosed impact to 2007 earnings for the charge related to the litigation settlement. Staples maintains its long-term expectation to grow earnings per share 15-20 percent in a stronger economic environment.

#### **Presentation of Non-GAAP Information**

This press release presents net income and earnings per share results both with and without the expense related to the settlement of California wage and hour class action litigation described above for 2007, as well as the tax rate benefit and stock-based compensation correction described above for 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 22 countries throughout North and South America, Europe and Asia. Headquartered outside of Boston, Staples operates more than 2,000 office superstores and also serves its customers through mail order catalog, e-commerce and contract businesses. More information is available at [www.staples.com](http://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 “Q4 & FY2007 Outlook” and “FY2008 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; wage and hour class action lawsuits 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 or current 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)  
(Unaudited)

	<b>November 3, 2007</b>	<b>February 3, 2007</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents.....	\$ 910,721	\$ 1,017,671
Short-term investments.....	121,491	457,759
Receivables, net.....	873,457	720,797
Merchandise inventories, net.....	2,142,494	1,919,714
Deferred income tax asset.....	142,869	141,108
Prepaid expenses and other current assets.....	197,715	174,314
<b>Total current assets.....</b>	<b>4,388,747</b>	<b>4,431,363</b>
<b>Property and equipment:</b>		
Land and buildings.....	849,093	791,264
Leasehold improvements.....	1,118,708	996,434
Equipment.....	1,736,694	1,539,617
Furniture and fixtures.....	857,847	757,408
<b>Total property and equipment.....</b>	<b>4,562,342</b>	<b>4,084,723</b>
Less accumulated depreciation and amortization.....	2,448,566	2,110,602
<b>Net property and equipment.....</b>	<b>2,113,776</b>	<b>1,974,121</b>
<b>Lease acquisition costs, net of accumulated amortization.....</b>	<b>32,242</b>	<b>33,579</b>
<b>Intangible assets, net of accumulated amortization.....</b>	<b>246,155</b>	<b>232,383</b>
<b>Goodwill.....</b>	<b>1,725,489</b>	<b>1,455,113</b>
<b>Other assets.....</b>	<b>289,912</b>	<b>270,706</b>
<b>Total assets.....</b>	<b>\$ 8,796,321</b>	<b>\$ 8,397,265</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable.....	\$ 1,687,235	\$ 1,486,188
Accrued expenses and other current liabilities.....	973,496	1,101,018
Debt maturing within one year.....	3,113	201,177
<b>Total current liabilities.....</b>	<b>2,663,844</b>	<b>2,788,383</b>
<b>Long-term debt .....</b>	<b>327,127</b>	<b>316,465</b>
<b>Deferred income tax liability.....</b>	<b>9,640</b>	<b>8,986</b>
<b>Other long-term obligations.....</b>	<b>361,009</b>	<b>252,657</b>
<b>Minority interest.....</b>	<b>2,925</b>	<b>9,109</b>
<b>Stockholders' equity:</b>		
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 864,055,587 shares at November 3, 2007 and 849,338,568 shares at February 3, 2007.....	518	510
Additional paid-in capital.....	3,625,745	3,338,412
Cumulative foreign currency translation adjustments.....	435,107	189,115
Retained earnings .....	4,460,361	4,005,424
Less: Treasury stock at cost - 154,361,734 shares at November 3, 2007, and 130,605,591 shares at February 3, 2007.....	(3,089,955)	(2,511,796)
<b>Total stockholders' equity.....</b>	<b>5,431,776</b>	<b>5,021,665</b>
<b>Total liabilities and stockholders' equity.....</b>	<b>\$ 8,796,321</b>	<b>\$ 8,397,265</b>

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

	13 Weeks Ended		39 Weeks Ended	
	November 3, 2007	October 28, 2006	November 3, 2007	October 28, 2006
Sales.....	\$ 5,168,351	\$ 4,756,550	\$ 14,048,240	\$ 12,874,870
Cost of goods sold and occupancy costs.....	3,662,677	3,394,092	10,047,260	9,226,811
<b>Gross profit</b> .....	<b>1,505,674</b>	<b>1,362,458</b>	<b>4,000,980</b>	<b>3,648,059</b>
<b>Operating and other expenses:</b>				
Operating and selling.....	823,903	757,790	2,307,233	2,138,922
General and administrative.....	249,095	199,066	650,676	559,113
Amortization of intangibles.....	4,371	3,421	11,681	9,667
<b>Total operating expenses</b> .....	<b>1,077,369</b>	<b>960,277</b>	<b>2,969,590</b>	<b>2,707,702</b>
Operating income.....	428,305	402,181	1,031,390	940,357
<b>Other income (expense):</b>				
Interest income.....	8,715	12,317	34,895	42,929
Interest expense.....	(8,466)	(10,934)	(30,667)	(36,678)
Miscellaneous income (expense).....	15	(62)	(1,472)	(921)
<b>Income before income taxes and minority interest</b> .....	<b>428,569</b>	<b>403,502</b>	<b>1,034,146</b>	<b>945,687</b>
Income tax expense.....	154,285	113,555	372,293	308,742
<b>Income before minority interest</b> .....	<b>274,284</b>	<b>289,947</b>	<b>661,853</b>	<b>636,945</b>
Minority interest.....	(234)	19	(636)	(234)
<b>Net income</b> .....	<b>\$ 274,518</b>	<b>\$ 289,928</b>	<b>\$ 662,489</b>	<b>\$ 637,179</b>
<b>Earnings Per Share:</b>				
Basic earnings per common share.....	\$ 0.39	\$ 0.40	\$ 0.94	\$ 0.88
Diluted earnings per common share.....	\$ 0.38	\$ 0.39	\$ 0.92	\$ 0.86
Dividends declared per common share.....	\$ -	\$ -	\$ 0.29	\$ 0.22
<b>Weighted average shares outstanding:</b>				
Basic.....	702,258,662	718,172,288	707,301,022	722,468,584
Diluted.....	715,257,576	736,235,167	723,415,325	741,535,481

Reconciliation of GAAP to Non-GAAP Financial Measures

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

	13 Weeks Ended									
	November 3, 2007				October 28, 2006					
	As reported	Wage and hour settlement	Pro forma \$	Pro forma %	As reported	Tax benefit	Correction for prior years' stock-based compensation	Pro forma \$	Pro forma %	
Sales.....	\$ 5,168,351	\$ -	\$ 5,168,351	100.00%	\$ 4,756,550	\$ -	\$ -	\$ 4,756,550	100.00%	
Cost of goods sold and occupancy costs.....	3,662,677	-	3,662,677	70.87%	3,394,092	-	(343)	3,393,749	71.35%	
Gross profit.....	1,505,674	-	1,505,674	29.13%	1,362,458	-	343	1,362,801	28.65%	
Operating and other expenses:										
Operating and selling.....	823,903	-	823,903	15.94%	757,790	-	(3,887)	753,903	15.85%	
General and administrative.....	249,095	(38,000)	211,095	4.08%	199,066	-	(6,599)	192,467	4.05%	
Amortization of intangibles.....	4,371	-	4,371	0.08%	3,421	-	-	3,421	0.07%	
Total operating expenses.....	1,077,369	(38,000)	1,039,369	20.11%	960,277	-	(10,486)	949,791	19.97%	
Operating income.....	428,305	38,000	466,305	9.02%	402,181	-	10,829	413,010	8.68%	
Interest and other income, net	(264)	-	(264)	(0.01%)	(1,321)	-	-	(1,321)	(0.03%)	
Income before income taxes and minority interest.....	428,569	38,000	466,569	9.03%	403,502	-	10,829	414,331	8.71%	
Income tax expense.....	154,285	13,680	167,965	3.25%	113,555	33,343	2,262	149,160	3.14%	
Income before minority interest.....	274,284	24,320	298,604	5.78%	289,947	(33,343)	8,567	265,171	5.57%	
Minority interest.....	(234)	-	(234)	(0.00%)	19	-	-	19	0.00%	
Net income.....	\$ 274,518	\$ 24,320	\$ 298,838	5.78%	\$ 289,928	\$ (33,343)	\$ 8,567	\$ 265,152	5.57%	
Earnings Per Share:										
Basic earnings per common share.....	\$ 0.39	\$ 0.04	\$ 0.43		\$ 0.40	\$ (0.04)	\$ 0.01	\$ 0.37		
Diluted earnings per common share.....	\$ 0.38	\$ 0.04	\$ 0.42		\$ 0.39	\$ (0.04)	\$ 0.01	\$ 0.36		
Weighted average shares outstanding:										
Basic.....	702,258,662				718,172,288					
Diluted.....	715,257,576				736,235,167					



Reconciliation of GAAP to Non-GAAP Financial Measures

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

	39 Weeks Ended									
	November 3, 2007					October 28, 2006				
	As reported	Wage and hour settlement	Pro forma \$	Pro forma %	As reported	Tax benefit	Correction for prior years' stock-based compensation	Pro forma \$	Pro forma %	
Sales.....	\$ 14,048,240	\$ -	\$ 14,048,240	100.00%	\$ 12,874,870	\$ -	\$ -	\$ 12,874,870	100.00%	
Cost of goods sold and occupancy costs.....	10,047,260	-	10,047,260	71.52%	9,226,811	-	(343)	9,226,468	71.66%	
Gross profit.....	4,000,980	-	4,000,980	28.48%	3,648,059	-	343	3,648,402	28.34%	
Operating and other expenses:										
Operating and selling.....	2,307,233	-	2,307,233	16.42%	2,138,922	-	(3,887)	2,135,035	16.58%	
General and administrative.....	650,676	(38,000)	612,676	4.36%	559,113	-	(6,599)	552,514	4.29%	
Amortization of intangibles.....	11,681	-	11,681	0.08%	9,667	-	-	9,667	0.08%	
Total operating expenses.....	2,969,590	(38,000)	2,931,590	20.87%	2,707,702	-	(10,486)	2,697,216	20.95%	
Operating income.....	1,031,390	38,000	1,069,390	7.61%	940,357	-	10,829	951,186	7.39%	
Interest and other income, net	(2,756)	-	(2,756)	(0.02%)	(5,330)	-	-	(5,330)	(0.04%)	
Income before income taxes and minority interest.....	1,034,146	38,000	1,072,146	7.63%	945,687	-	10,829	956,516	7.43%	
Income tax expense.....	372,293	13,680	385,973	2.75%	308,742	33,343	2,262	344,347	2.67%	
Income before minority interest.....	661,853	24,320	686,173	4.88%	636,945	(33,343)	8,567	612,169	4.75%	
Minority interest.....	(636)	-	(636)	(0.00%)	(234)	-	-	(234)	(0.00%)	
Net income.....	\$ 662,489	\$ 24,320	\$ 686,809	4.89%	\$ 637,179	\$ (33,343)	\$ 8,567	\$ 612,403	4.76%	
Earnings Per Share:										
Basic earnings per common share.....	\$ 0.94	\$ 0.03	\$ 0.97		\$ 0.88	\$ (0.04)	\$ 0.01	\$ 0.85		
Diluted earnings per common share.....	\$ 0.92	\$ 0.03	\$ 0.95		\$ 0.86	\$ (0.04)	\$ 0.01	\$ 0.83		
Weighted average shares outstanding:										
Basic.....	707,301,022				722,468,584					
Diluted.....	723,415,325				741,535,481					

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

	<b>39 Weeks Ended</b>	
	<b>November 3, 2007</b>	<b>October 28, 2006</b>
<b>Operating Activities:</b>		
Net income .....	\$ 662,489	\$ 637,179
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	285,940	247,832
Stock-based compensation.....	133,196	130,912
Deferred tax benefit .....	25,272	(62,484)
Excess tax benefits from stock-based compensation arrangements .....	(17,395)	(25,523)
Other.....	1,679	5,139
Changes in assets and liabilities:		
Increase in receivables.....	(113,711)	(134,543)
Increase in merchandise inventories.....	(99,489)	(184,154)
Increase in prepaid expenses and other assets.....	(51,323)	(22,721)
Increase in accounts payable.....	114,724	76,694
Decrease in accrued expenses and other liabilities.....	(182,968)	(54,075)
Increase in other long-term obligations.....	90,161	14,549
<b>Net cash provided by operating activities.....</b>	<b>848,575</b>	<b>628,805</b>
<b>Investing Activities:</b>		
Acquisition of property and equipment.....	(315,905)	(352,186)
Acquisition of businesses and investment in joint ventures, net of cash acquired.....	(178,295)	(2,596)
Purchase of short-term investments.....	(3,440,117)	(5,820,743)
Proceeds from the sale of short-term investments.....	3,776,385	5,897,590
<b>Net cash used in investing activities.....</b>	<b>(157,932)</b>	<b>(277,935)</b>
<b>Financing Activities:</b>		
Proceeds from the exercise of stock options and the sale of stock under employee stock purchase plans.....	125,703	135,323
Payments on borrowings.....	(204,889)	(3,104)
Proceeds from borrowings.....	3,949	-
Excess tax benefits from stock-based compensation arrangements .....	17,395	25,523
Cash dividends paid.....	(207,552)	(160,883)
Purchase of treasury stock.....	(578,159)	(529,685)
<b>Net cash used in financing activities.....</b>	<b>(843,553)</b>	<b>(532,826)</b>
Effect of exchange rate changes on cash and cash equivalents.....	45,960	8,878
<b>Net decrease in cash and cash equivalents.....</b>	<b>(106,950)</b>	<b>(173,078)</b>
Cash and cash equivalents at beginning of period.....	1,017,671	977,822
<b>Cash and cash equivalents at end of period.....</b>	<b>\$ 910,721</b>	<b>\$ 804,744</b>

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

	13 Weeks Ended		39 Weeks Ended	
	November 3, 2007	October 28, 2006	November 3, 2007	October 28, 2006
<b>Sales:</b>				
North American Retail.....	\$ 2,750,884	\$ 2,665,031	\$ 7,225,679	\$ 6,983,439
North American Delivery.....	1,727,141	1,505,572	4,896,999	4,251,176
International Operations.....	690,326	585,947	1,925,562	1,640,255
<b>Total sales.....</b>	<b>\$ 5,168,351</b>	<b>\$ 4,756,550</b>	<b>\$ 14,048,240</b>	<b>\$ 12,874,870</b>
<b>Business Unit Income:</b>				
North American Retail .....	\$ 305,869	\$ 290,076	\$ 652,252	\$ 626,587
North American Delivery.....	187,450	160,294	507,380	433,147
International Operations.....	23,064	8,736	42,954	11,535
<b>Total business unit income.....</b>	<b>\$ 516,383</b>	<b>\$ 459,106</b>	<b>\$ 1,202,586</b>	<b>\$ 1,071,269</b>
Stock-based compensation.....	(50,078)	(46,096)	(133,196)	(120,083)
<b>Total reportable segments.....</b>	<b>\$ 466,305</b>	<b>\$ 413,010</b>	<b>\$ 1,069,390</b>	<b>\$ 951,186</b>
Interest and other income, net.....	264	1,321	2,756	5,330
Impact of correction of prior years' stock-based compensation.....	-	(10,829)	-	(10,829)
Impact of wage and hour settlement.....	(38,000)	-	(38,000)	-
<b>Income before income taxes and minority interest.....</b>	<b>\$ 428,569</b>	<b>\$ 403,502</b>	<b>\$ 1,034,146</b>	<b>\$ 945,687</b>