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**Staples, Inc. Reports Second Quarter Performance**  
**Earnings Per Share Rose 14 Percent and Sales Increased 11 Percent**

**FRAMINGHAM, Mass., August 21, 2007** -- Staples, Inc. (Nasdaq: SPLS) announced today the results for its second quarter ended August 4, 2007. Total company sales increased 11 percent to \$4.3 billion compared to the second quarter of 2006. Net income rose 11 percent year over year to \$179 million, and earnings per share, on a diluted basis, increased 14 percent to 25 cents, from the 22 cents achieved in the second quarter of last year.

Total North American Retail sales grew five percent in the second quarter. North American Retail comparable sales decreased two percent versus 2006, reflecting lower sales in furniture, supplies, and business machines partially offset by strong sales in copy and print centers, laptop computers, ink, and software. North American Delivery continued its industry-leading growth, increasing sales 16 percent versus last year's second quarter. Total International sales increased 18 percent in US dollars, benefiting from a \$39 million foreign currency impact, and increased 11 percent in local currency. International comparable sales grew seven percent versus 2006.

“We are pleased to deliver double-digit top and bottom line growth while operating in a tough retail environment in North America.” said Ron Sargent, Staples’ chairman and chief executive officer. “We continue to execute well and invest in new growth ideas to achieve our sales and earnings goals.”

Highlights for the second quarter include:

- Total company operating income rate improved four basis points year over year to 6.54 percent.

- North American Retail operating income rate was 7.43 percent, down 33 basis points versus 2006, reflecting deleverage in fixed costs resulting from a decrease in comparable store sales and investments in growth initiatives, offset by 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 14 basis point improvement in operating income rate to 10.66 percent.
- International Operations swung to a profit in the second quarter with operating income rate improving 225 basis points. Both retail and delivery drove strong top and bottom line growth.
- Staples opened 23 new stores in the United States, seven new stores in China, five new stores in Canada, one new store in Portugal and closed one store in the UK. The company now operates 1,962 stores worldwide.
- Staples continued to invest in its North American Delivery network with the opening of a new tri-channel fulfillment center in Denver.
- The company generated \$14 million of free cash flow during the first half of the year after \$206 million of capital expenditures, compared to a use of cash of \$125 million for the same period last year.
- Staples announced a new \$1.5 billion share repurchase program and repurchased 8.1 million shares of its stock for \$198 million during the quarter. Year-to-date the company has repurchased 15.3 million shares for \$386 million.

## **Outlook**

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

For fiscal year 2007, adjusting for the extra week in 2006, Staples anticipates low double-digit sales growth for the total company and flat same store sales 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](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 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; 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 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)

	August 4, 2007	February 3, 2007
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents.....	\$ 691,916	\$ 1,017,671
Short-term investments.....	165,244	457,759
Receivables, net.....	790,527	720,797
Merchandise inventories, net.....	2,252,317	1,919,714
Deferred income tax asset.....	134,705	141,108
Prepaid expenses and other current assets.....	201,148	174,314
<b>Total current assets.....</b>	<b>4,235,857</b>	<b>4,431,363</b>
<b>Property and equipment:</b>		
Land and buildings.....	825,027	791,264
Leasehold improvements.....	1,059,229	996,434
Equipment.....	1,673,971	1,539,617
Furniture and fixtures.....	811,184	757,408
<b>Total property and equipment.....</b>	<b>4,369,411</b>	<b>4,084,723</b>
Less accumulated depreciation and amortization.....	2,319,095	2,110,602
<b>Net property and equipment.....</b>	<b>2,050,316</b>	<b>1,974,121</b>
<b>Lease acquisition costs, net of accumulated amortization.....</b>	<b>33,103</b>	<b>33,579</b>
<b>Intangible assets, net of accumulated amortization.....</b>	<b>250,683</b>	<b>232,383</b>
<b>Goodwill.....</b>	<b>1,669,592</b>	<b>1,455,113</b>
<b>Other assets.....</b>	<b>313,707</b>	<b>270,706</b>
<b>Total assets.....</b>	<b>\$ 8,553,258</b>	<b>\$ 8,397,265</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable.....	\$ 1,615,749	\$ 1,486,188
Accrued expenses and other current liabilities.....	845,482	1,101,018
Debt maturing within one year.....	203,391	201,177
<b>Total current liabilities.....</b>	<b>2,664,622</b>	<b>2,788,383</b>
<b>Long-term debt .....</b>	<b>319,320</b>	<b>316,465</b>
<b>Deferred income tax liability.....</b>	<b>9,349</b>	<b>8,986</b>
<b>Other long-term obligations.....</b>	<b>406,148</b>	<b>252,657</b>
<b>Minority interest.....</b>	<b>3,111</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 862,904,748 shares at August 4, 2007 and 849,338,568 shares at February 3, 2007.....	518	510
Additional paid-in capital.....	3,558,074	3,338,412
Cumulative foreign currency translation adjustments.....	311,933	189,115
Retained earnings .....	4,185,843	4,005,424
Less: Treasury stock at cost - 146,206,663 shares at August 4, 2007, and 130,605,591 shares at February 3, 2007.....	(2,905,660)	(2,511,796)
<b>Total stockholders' equity.....</b>	<b>5,150,708</b>	<b>5,021,665</b>
<b>Total liabilities and stockholders' equity.....</b>	<b>\$ 8,553,258</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		26 Weeks Ended	
	August 4, 2007	July 29, 2006	August 4, 2007	July 29, 2006
Sales.....	\$ 4,290,424	\$ 3,880,674	\$ 8,879,889	\$ 8,118,320
Cost of goods sold and occupancy costs.....	3,080,057	2,784,070	6,384,583	5,832,719
<b>Gross profit.....</b>	<b>1,210,367</b>	<b>1,096,604</b>	<b>2,495,306</b>	<b>2,285,601</b>
<b>Operating and other expenses:</b>				
Operating and selling.....	723,616	664,975	1,483,330	1,381,132
General and administrative.....	202,400	176,324	401,581	360,047
Amortization of intangibles.....	3,877	3,043	7,310	6,246
<b>Total operating expenses.....</b>	<b>929,893</b>	<b>844,342</b>	<b>1,892,221</b>	<b>1,747,425</b>
Operating income.....	280,474	252,262	603,085	538,176
<b>Other income (expense):</b>				
Interest income.....	10,630	11,096	26,181	30,613
Interest expense.....	(11,065)	(11,089)	(22,200)	(25,745)
Miscellaneous expense.....	(892)	(431)	(1,489)	(859)
<b>Income before income taxes and minority interest.....</b>	<b>279,147</b>	<b>251,838</b>	<b>605,577</b>	<b>542,185</b>
Income tax expense.....	100,493	90,662	218,008	195,187
<b>Income before minority interest.....</b>	<b>178,654</b>	<b>161,176</b>	<b>387,569</b>	<b>346,998</b>
Minority interest.....	(174)	(1)	(402)	(253)
<b>Net income.....</b>	<b>\$ 178,828</b>	<b>\$ 161,177</b>	<b>\$ 387,971</b>	<b>\$ 347,251</b>
<b>Earnings Per Share:</b>				
Basic earnings per common share.....	\$ 0.25	\$ 0.22	\$ 0.55	\$ 0.48
Diluted earnings per common share.....	\$ 0.25	\$ 0.22	\$ 0.53	\$ 0.47
Dividends declared per common share.....	\$ -	\$ -	\$ 0.29	\$ 0.22
<b>Weighted average shares outstanding:</b>				
Basic.....	708,145,408	723,466,193	709,822,203	724,616,732
Diluted.....	726,071,464	744,067,666	727,494,199	744,185,638

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

	<b>26 Weeks Ended</b>	
	<b>August 4, 2007</b>	<b>July 29, 2006</b>
<b>Operating Activities:</b>		
Net income .....	\$ 387,971	\$ 347,251
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	186,635	162,495
Stock-based compensation.....	83,118	73,987
Deferred tax benefit .....	21,839	11,941
Excess tax benefits from stock-based compensation arrangements .....	(15,973)	(21,074)
Other.....	373	4,432
Changes in assets and liabilities:		
Increase in receivables.....	(45,731)	(48,548)
Increase in merchandise inventories.....	(259,261)	(182,050)
Increase in prepaid expenses and other assets.....	(56,166)	(21,476)
Increase (decrease) in accounts payable.....	81,086	(42,818)
Decrease in accrued expenses and other liabilities.....	(246,398)	(166,860)
Increase in other long-term obligations.....	82,006	11,364
<b>Net cash provided by operating activities.....</b>	<b>219,499</b>	<b>128,644</b>
<b>Investing Activities:</b>		
Acquisition of property and equipment.....	(205,574)	(253,729)
Acquisition of businesses and investment in joint ventures, net of cash acquired.....	(178,295)	-
Purchase of short-term investments.....	(3,123,358)	(3,892,485)
Proceeds from the sale of short-term investments.....	3,415,874	4,178,911
<b>Net cash (used in) provided by investing activities.....</b>	<b>(91,353)</b>	<b>32,697</b>
<b>Financing Activities:</b>		
Proceeds from the exercise of stock options and the sale of stock under employee stock purchase plans.....	109,030	81,952
Payments on borrowings.....	(3,213)	(2,297)
Proceeds from borrowings.....	3,949	-
Excess tax benefits from stock-based compensation arrangements .....	15,973	21,074
Cash dividends paid.....	(207,552)	(160,883)
Purchase of treasury stock.....	(393,864)	(354,341)
<b>Net cash used in financing activities.....</b>	<b>(475,677)</b>	<b>(414,495)</b>
Effect of exchange rate changes on cash and cash equivalents.....	21,776	10,046
<b>Net decrease in cash and cash equivalents.....</b>	<b>(325,755)</b>	<b>(243,108)</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>\$ 691,916</b>	<b>\$ 734,714</b>

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

	(Unaudited) 13 Weeks Ended		(Unaudited) 26 Weeks Ended	
	August 4, 2007	July 29, 2006	August 4, 2007	July 29, 2006
<b>Sales:</b>				
North American Retail.....	\$ 2,111,192	\$ 2,012,496	\$ 4,474,795	\$ 4,318,408
North American Delivery.....	1,576,829	1,358,365	3,169,858	2,745,604
International Operations.....	602,403	509,813	1,235,236	1,054,308
<b>Total sales.....</b>	<b>\$ 4,290,424</b>	<b>\$ 3,880,674</b>	<b>\$ 8,879,889</b>	<b>\$ 8,118,320</b>
<b>Business Unit Income:</b>				
North American Retail.....	\$ 156,832	\$ 156,051	\$ 346,384	\$ 336,512
North American Delivery.....	168,099	142,957	319,929	272,852
International Operations.....	4,401	(7,721)	19,890	2,799
<b>Total business unit income.....</b>	<b>\$ 329,332</b>	<b>\$ 291,287</b>	<b>\$ 686,203</b>	<b>\$ 612,163</b>
Stock-based compensation.....	(48,858)	(39,025)	(83,118)	(73,987)
<b>Total reportable segments.....</b>	<b>280,474</b>	<b>252,262</b>	<b>603,085</b>	<b>538,176</b>
Interest and other income, net.....	(1,327)	(424)	2,492	4,009
<b>Income before income taxes and minority interest.....</b>	<b>\$ 279,147</b>	<b>\$ 251,838</b>	<b>\$ 605,577</b>	<b>\$ 542,185</b>