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Staples, Inc. Reports Record Third Quarter Results
Earnings Per Share Increased 30 Percent
North American Retail Comparable Sales Rose Four Percent
European Retail Comparable Sales Increased Five Percent

FRAMINGHAM, Mass., November 14, 2006 -- Staples, Inc. (Nasdaq: SPLS) announced today the results for its third quarter ended October 28, 2006. The company drove strong performance in each of its three businesses, gaining market share and winning with customers around the world.

Total company sales for the third quarter 2006 increased 12 percent to \$4.8 billion compared to the \$4.2 billion reported for the third quarter of 2005. Net income rose 29 percent year-over-year to \$290 million, and earnings per share, on a diluted basis, increased 30 percent to \$0.39, from the \$0.30 achieved in the third quarter of last year.

Third quarter 2006 earnings results reflect a lower tax rate, due to the favorable resolution of certain tax matters, and a correction for prior years' stock-based compensation. Excluding these items, net income grew 18 percent to \$265 million and earnings per share, on a diluted basis, were \$0.36, a 20 percent increase versus third quarter 2005.

Third quarter North American Retail comparable store sales increased four percent versus 2005, reflecting an excellent back-to-school season, strong traffic, and higher average order size. Total North American Retail sales rose nine percent and North American Delivery grew sales 16 percent versus last year. International sales rose 10 percent in

local currency and 15 percent in US dollars, with five percent comparable store sales growth in European Retail.

“The Staples team delivered another strong quarter of results,” said Ron Sargent, Staples’ chairman and chief executive officer. “While we continue to improve margins, we’re focused on driving profitable growth, and we’re pleased to see top line momentum in every part of our business.”

Highlights for the third quarter include:

- North American Retail continued to see strength in core office supplies, laptops, copy and print services, ink, and Staples brand products. Operating margins in this segment improved 50 basis points to 10.8 percent.
- North American Delivery operating margins improved 40 basis points to 10.8 percent, despite costs associated with opening three new fulfillment centers in Orlando, Atlanta, and Chicago this year.
- Worldwide e-commerce sales grew 27 percent to \$1.2 billion.
- International operating margins improved 130 basis points to 1.5 percent, reflecting leverage on stronger sales and improving trends in Europe, particularly in the UK retail and French catalog businesses. Asian and South American businesses continue to grow rapidly.
- Total company operating margin improved 13 basis points to 8.46 percent.
- Inventory turns increased 13 basis points to 5.79 times, as the company continues to focus on its supply chain improvement programs in both retail and delivery.
- Year-to-date, the company has delivered \$277 million in free cash flow after \$352 million in capital expenditures.
- Staples opened 31 new stores in the United States and opened 6 stores in Canada. The company now operates 1,838 stores worldwide.

Q4 & FY2006 Outlook

For the fourth quarter of 2006, Staples will benefit from an extra week in the quarter. As a result, the company expects high-teens growth for the total company and earnings per share growth slightly higher than 20 percent. The company expects a positive low single-

digit comparable sales increase in its North American Retail business. Same store sales are calculated on a 13 week basis.

For the full year, the company expects to exceed its previously announced earnings guidance of 15 to 20 percent growth, excluding the third quarter tax benefit and the correction for prior years' stock-based compensation. Staples expects low double-digit growth for the total company on the top line and a positive, low single-digit comparable sales increase in North American Retail. Staples expects free cash flow generation of about \$700 million this year.

Earnings growth expectations for the fourth quarter and full year 2006 refer to 2005 earnings restated to include the impact of stock compensation expense under the Financial Accounting Standards Board's statement 123R, which the company implemented as of January 29, 2006, and exclude the benefit of the resolution of tax matters and the correction for prior years' stock-based compensation. Pro forma restated financial statements and other supplemental financial information are available on the "Financial Measures" section of the investor relations website on www.staples.com. The company's earnings outlook also reflects the impact of a 53rd week in fiscal 2006.

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 to achieve sales growth of 10 to 15 percent and earnings growth of 15 to 20 percent for the full year 2007, equating to a range of \$1.43 to \$1.49 of GAAP earnings per share. Staples expects a positive, low single-digit comparable sales increase in North American Retail. After adjusting for the additional week in 2006, the company expects to grow North American Delivery revenues in the mid-teens, and in International, Staples expects low double-digit growth in local currency.

Q3 2006 Tax Rate Benefit

The effective tax rate was 28.1 percent for the third quarter of 2006 and 32.6 percent for year-to-date 2006, compared to 36.5 percent for the third quarter and year-to-date 2005.

This increased diluted EPS by \$0.04 per share. The company's effective tax rate applicable to results from continuing operations is 36.0 percent.

Q3 2006 Stock Based Compensation Correction

During the third quarter of 2006, the company and its Audit Committee, assisted by outside counsel, conducted a review of the company's historical stock option granting practices during the period from 1997 to the present. Based on the results of the review, the company has recorded a \$10.8 million expense (\$8.6 million net of taxes) in the third quarter to reflect the cumulative impact of accounting errors due to the use of incorrect measurement dates, without restating any historical financial statements. The Company has concluded that the use of incorrect measurement dates was not the result of intentional wrongdoing and has taken steps to improve the controls over its option granting processes.

Presentation of Non-GAAP Information

This press release presents net income and earnings per share results both with and without the tax rate benefit and stock based compensation correction described above. The presentation of results that exclude these two 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 69,000 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 2005 sales of \$16.1 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 more than 1,800 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 "Q4 & FY2006 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; 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 quarterly report on Form 10-Q 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)

	October 28, 2006 (Unaudited)	Restated January 28, 2006
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 804,744	\$ 977,822
Short-term investments.....	516,234	593,082
Receivables, net.....	717,769	576,672
Merchandise inventories, net.....	1,909,252	1,706,372
Deferred income tax asset.....	128,180	149,257
Prepaid expenses and other current assets.....	155,371	141,339
Total current assets.....	4,231,550	4,144,544
Property and equipment:		
Land and buildings.....	775,754	705,978
Leasehold improvements.....	946,436	884,853
Equipment.....	1,472,756	1,330,181
Furniture and fixtures.....	727,269	672,931
Total property and equipment.....	3,922,215	3,593,943
Less accumulated depreciation and amortization.....	2,036,965	1,835,549
Net property and equipment.....	1,885,250	1,758,394
Lease acquisition costs, net of accumulated amortization.....	34,743	34,885
Intangible assets, net of accumulated amortization.....	223,238	240,395
Goodwill.....	1,381,348	1,378,752
Other assets.....	275,190	175,750
Total assets.....	\$ 8,031,319	\$ 7,732,720
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 1,525,562	\$ 1,435,815
Accrued expenses and other current liabilities.....	958,790	1,041,201
Debt maturing within one year.....	201,997	2,891
Total current liabilities.....	2,686,349	2,479,907
Long-term debt	320,640	527,606
Deferred income tax liability.....	8,050	5,845
Other long-term obligations.....	257,560	233,426
Minority interest.....	6,697	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 845,100,211 shares at October 28, 2006 and 829,695,100 shares at January 28, 2006.....	507	498
Additional paid-in capital.....	3,228,351	2,937,362
Cumulative foreign currency translation adjustments.....	119,898	87,085
Retained earnings	3,668,926	3,192,630
Less: Treasury stock at cost - 121,225,929 shares at October 28, 2006, and 99,253,565 shares at January 28, 2006.....	(2,265,659)	(1,735,974)
Total stockholders' equity.....	4,752,023	4,481,601
Total liabilities and stockholders' equity.....	\$ 8,031,319	\$ 7,732,720

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

	13 Weeks Ended		39 Weeks Ended	
	October 28, 2006	Restated October 29, 2005	October 28, 2006	Restated October 29, 2005
Sales.....	\$ 4,756,550	\$ 4,245,519	\$ 12,874,870	\$ 11,616,535
Cost of goods sold and occupancy costs.....	3,394,092	3,024,821	9,226,811	8,344,599
Gross profit.....	1,362,458	1,220,698	3,648,059	3,271,936
Operating and other expenses:				
Operating and selling.....	757,790	695,306	2,138,922	1,955,855
General and administrative.....	199,066	168,700	559,113	506,286
Amortization of intangibles.....	3,421	3,178	9,667	10,021
Total operating expenses.....	960,277	867,184	2,707,702	2,472,162
Operating income.....	402,181	353,514	940,357	799,774
Other income (expense):				
Interest income.....	12,317	15,928	42,929	40,718
Interest expense.....	(10,934)	(14,910)	(36,678)	(39,948)
Miscellaneous expense.....	(62)	(927)	(921)	(1,086)
Income before income taxes and minority interest.....	403,502	353,605	945,687	799,458
Income tax expense.....	113,555	129,066	308,742	291,802
Income before minority interest.....	289,947	224,539	636,945	507,656
Minority interest.....	19	53	(234)	251
Net income.....	\$ 289,928	\$ 224,486	\$ 637,179	\$ 507,405
Earnings Per Share:				
Basic earnings per common share.....	\$ 0.40	\$ 0.31	\$ 0.88	\$ 0.69
Diluted earnings per common share.....	\$ 0.39	\$ 0.30	\$ 0.86	\$ 0.67
Dividends declared per common share.....	\$ -	\$ -	\$ 0.22	\$ 0.17
Weighted average shares outstanding:				
Basic.....	718,172,288	729,572,273	722,468,584	733,018,598
Diluted.....	736,235,167	747,552,145	741,535,481	751,764,513

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

	39 Weeks Ended	
	October 28, 2006	Restated October 29, 2005
Operating Activities:		
Net income	\$ 637,179	\$ 507,405
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	247,832	223,429
Stock-based compensation.....	130,912	93,477
Deferred tax benefit	(62,484)	(22,870)
Excess tax benefits from stock-based compensation arrangements	(25,523)	(21,093)
Other.....	5,139	4,404
Changes in assets and liabilities:		
Increase in receivables.....	(134,543)	(73,434)
Increase in merchandise inventories.....	(184,154)	(106,333)
Increase in prepaid expenses and other assets.....	(22,721)	(5,323)
Increase in accounts payable.....	76,694	120,804
Decrease in accrued expenses and other liabilities.....	(54,075)	(3,746)
Increase in other long-term obligations.....	14,549	16,082
Net cash provided by operating activities.....	628,805	732,802
Investing Activities:		
Acquisition of property and equipment.....	(352,186)	(289,338)
Increase in investment, net of cash acquired.....	(2,596)	(16,636)
Acquisition of businesses, net of cash acquired.....	-	(40,560)
Purchase of short-term investments.....	(5,820,743)	(6,037,124)
Proceeds from the sale of short-term investments.....	5,897,590	5,950,498
Net cash used in investing activities.....	(277,935)	(433,160)
Financing Activities:		
Proceeds from the exercise of stock options and the sale of stock under employee stock purchase plans.....	135,323	102,929
Payments on borrowings.....	(3,104)	(18,850)
Cash dividends paid.....	(160,883)	(123,402)
Excess tax benefits from stock-based compensation arrangements	25,523	21,093
Purchase of treasury stock, net.....	(529,685)	(504,221)
Net cash used in financing activities.....	(532,826)	(522,451)
Effect of exchange rate changes on cash and cash equivalents.....	8,878	(4,231)
Net decrease in cash and cash equivalents.....	(173,078)	(227,040)
Cash and cash equivalents at beginning of period.....	977,822	997,310
Cash and cash equivalents at end of period.....	\$ 804,744	\$ 770,270

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

	(Unaudited) 13 Weeks Ended		(Unaudited) 39 Weeks Ended	
	October 28, 2006	Restated October 29, 2005	October 28, 2006	Restated October 29, 2005
Sales:				
North American Retail.....	\$ 2,672,716	\$ 2,450,926	\$ 7,016,454	\$ 6,468,839
North American Delivery.....	1,497,887	1,285,905	4,218,161	3,617,436
International Operations.....	585,947	508,688	1,640,255	1,530,260
Total sales.....	\$ 4,756,550	\$ 4,245,519	\$ 12,874,870	\$ 11,616,535
Business Unit Income:				
North American Retail.....	\$ 288,876	\$ 251,777	\$ 627,494	\$ 546,662
North American Delivery.....	161,494	133,822	432,240	354,030
International Operations.....	8,736	943	11,535	(7,441)
Business unit income.....	\$ 459,106	\$ 386,542	\$ 1,071,269	\$ 893,251
Stock-based compensation.....	(56,925)	(33,028)	(130,912)	(93,477)
Total reportable segments.....	402,181	353,514	940,357	799,774
Interest and other income, net.....	1,321	91	5,330	(316)
Income before income taxes and minority interest.....	\$ 403,502	\$ 353,605	\$ 945,687	\$ 799,458

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 October 28, 2006				39 Weeks Ended October 28, 2006			
	As reported	Tax benefit	Correction for prior years' stock-based compensation	Pro forma	As reported	Tax benefit	Correction for prior years' stock-based compensation	Pro forma
Sales.....	\$ 4,756,550	\$ -	\$ -	\$ 4,756,550	\$ 12,874,870	\$ -	\$ -	\$ 12,874,870
Cost of goods sold and occupancy costs.....	3,394,092	-	(343)	3,393,749	9,226,811	-	(343)	9,226,468
Gross profit.....	1,362,458	-	343	1,362,801	3,648,059	-	343	3,648,402
Operating and other expenses:								
Operating and selling.....	757,790	-	(3,887)	753,903	2,138,922	-	(3,887)	2,135,035
General and administrative.....	199,066	-	(6,599)	192,467	559,113	-	(6,599)	552,514
Amortization of intangibles.....	3,421	-	-	3,421	9,667	-	-	9,667
Total operating expenses.....	960,277	-	(10,486)	949,791	2,707,702	-	(10,486)	2,697,216
Operating income.....	402,181	-	10,829	413,010	940,357	-	10,829	951,186
Other income (expense):								
Interest income.....	12,317	-	-	12,317	42,929	-	-	42,929
Interest expense.....	(10,934)	-	-	(10,934)	(36,678)	-	-	(36,678)
Miscellaneous expense.....	(62)	-	-	(62)	(921)	-	-	(921)
Income before income taxes and minority interest.....	403,502	-	10,829	414,331	945,687	-	10,829	956,516
Income tax expense.....	113,555	33,343	2,262	149,160	308,742	33,343	2,262	344,347
Income before minority interest.....	289,947	(33,343)	8,567	265,171	636,945	(33,343)	8,567	612,169
Minority interest.....	19	-	-	19	(234)	-	-	(234)
Net income.....	\$ 289,928	\$ (33,343)	\$ 8,567	\$ 265,152	\$ 637,179	\$ (33,343)	\$ 8,567	\$ 612,403
Earnings Per Share:								
Basic earnings per common share.....	<u>\$ 0.40</u>	<u>\$ (0.04)</u>	<u>\$ 0.01</u>	<u>\$ 0.37</u>	<u>\$ 0.88</u>	<u>\$ (0.04)</u>	<u>\$ 0.01</u>	<u>\$ 0.85</u>
Diluted earnings per common share.....	<u>\$ 0.39</u>	<u>\$ (0.04)</u>	<u>\$ 0.01</u>	<u>\$ 0.36</u>	<u>\$ 0.86</u>	<u>\$ (0.04)</u>	<u>\$ 0.01</u>	<u>\$ 0.83</u>
Dividends declared per common share.....	<u>\$ -</u>				<u>\$ 0.22</u>			
Weighted average shares outstanding:								
Basic.....	718,172,288				722,468,584			
Diluted.....	736,235,167				741,535,481			