

STAPLES®

that was easy.sm

THE MARKET

While some people are as devoted to office supplies as barbecue lovers are to grills, most people don't think about paper or ink cartridges — until they run out. When they do run out, they're increasingly thinking of Staples. Staples has been keeping the drawers, cabinets, and even break-rooms of businesses stocked since 1986. With 2004 sales at over \$14.4 billion, 1,695 stores in seven countries, as well as online, catalog, and contract delivery businesses throughout North and South America, Europe, and Asia, Staples is the world's largest seller of office products.

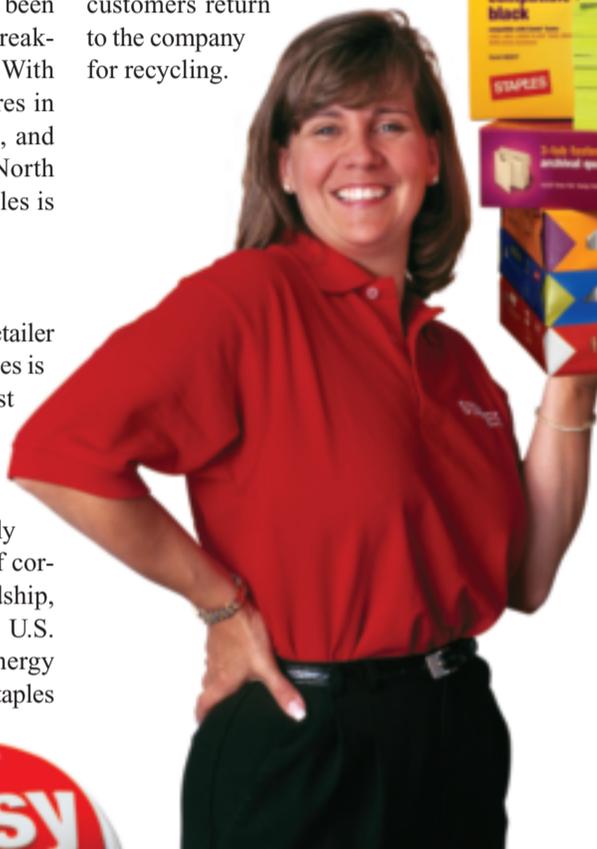
ACHIEVEMENTS

Known the world over as a groundbreaking retailer with a record of fiscal outperformance, Staples is No. 6 on *Fortune's* list of America's Most Admired Companies for Specialty Retailers, No. 146 on the Fortune 500, and No. 456 on *Forbes* World's 2000 Leading Companies. The company is earning equally high praise for its leadership in the areas of corporate governance, environmental stewardship, and social responsibility. In 2004, the U.S. Department of Energy named Staples the Energy Green Power Partner of the Year. In 2005, Staples ranked No. 11 on the U.S. EPA's Top 25 Green Power Purchasers, No. 76 on *Business Ethics* magazine's 100 Top Corporate Citizens, and No. 41 on *DiversityInc* magazine's Top 50 Companies for Diversity. J.D. Power and Associates even awarded Staples its Certified Call CenterSM Program certificate for customer satisfaction excellence, making Staples the first in the office products industry, and one of the first companies nationwide, to have its call centers certified by J.D. Power and Associates.

Staples sells more than 2,000 products made with recycled content and has comprehensive recycling programs running in all its facilities. Moreover, 10 percent of the power it uses comes from renewable energy sources. Two years ago, Staples issued the industry's first Environmental Paper Procurement policy, hailed by environmental groups as a major step in cutting the use of virgin fibers in paper production.

Coupled with its environmental programs is the company's commitment to the community.

Staples Recycle for Education has raised over \$1 million for classrooms nationwide. The program donates one dollar for every reusable inkjet or toner cartridge customers return to the company for recycling.



Also of note is Staples Foundation for LearningTM, a private foundation created in August 2002 by Staples, Inc. to provide funding to charitable programs that support or provide job training or educational opportunities to all people, with a special emphasis on disadvantaged youth. To date, Staples Foundation for Learning has awarded over \$4 million in grants to 259 nonprofit organizations in 153 communities and is a national



sponsor of the Boys & Girls Clubs of America.

HISTORY

It all started with a broken printer ribbon. During the Fourth of July weekend in 1985, Staples founder Tom Stemberg, a former supermarket chain executive, was writing a business plan when his printer ribbon broke. His neighborhood stationery store was closed for the holiday, prompting Stemberg to conclude that people needed a supermarket for office supplies. Before Staples, small

businesses and consumers paid a premium for office supplies, while large companies negotiated huge discounts with contract stationers. Staples now gives the same deep discounts to small-business owners.

Staples, Inc. opened its first store in Brighton, Massachusetts, on May 1, 1986. The combination of convenience and low prices was such a success that some 20 competitors launched similar retail concepts over the next two years. Only two major office superstore chains other than Staples remain in business.

With so many companies competing with Staples for market share, growth came fast and furious. One year after opening its doors, Staples moved into New York City, and by 1990 it had jumped to the West Coast and was operating in Los Angeles. A year later Staples went international by expanding into Canada, and in 1992 it crossed the Atlantic to open stores in the United Kingdom and Germany. By the time Staples celebrated its 10th anniversary, it was one of only six companies in U.S. history to achieve annual sales of \$3 billion within a decade of startup.

With its 20th anniversary approaching, Staples has increased its European presence to 16 countries, including (in addition to Germany and the United Kingdom) locations in Belgium, France, Portugal, Italy, the Netherlands, Spain and Sweden. With recent acquisitions in the catalog business, Staples has established growth platforms in six new European countries. Staples has even recently entered China and South America, bringing its worldwide presence to 21 countries.

The biggest driver of Staples' growth has been its customers. Small businesses wanted the convenience of delivery, so Staples introduced a catalog

in 1989. In 1995 Staples introduced a customer loyalty program now called Staples RewardsSM that in the last 10 years has grown and continued to improve on meeting the needs of in-store and online customers. In 1998 the company took the wraps off its award-winning eCommerce site, staples.com[®], and later became one of the first retailers to truly integrate its Web site into its retail stores. That same year Staples acquired Quill Corp., a direct marketer respected for its customer service. Together these companies are part of Staples North American Delivery and specialize in serving small and medium-sized businesses and professional offices.

Staples entered the contract business in 1993. Serving Fortune 500 companies and large regional businesses, Staples Contract is revolutionizing procurement for big businesses. It combines impeccable service with the efficiency of tailor-made eBusiness platforms. Customers get the advantage of customized services and pricing, along with centralized tracking and billing. Using StaplesLink.com[®], contract customers can check real-time availability of inventory, company-specific contract pricing, and line-item shipping status.

THE PRODUCT

Staples sells thousands of office products, from office supplies to furniture and technology, but that's only part of the story. They also sell an experience: the Easy Brand experience, which Staples delivers through tri-channel shopping, outstanding customer service, and Staples[®] brand products.

It's a deceptively simple formula that only a company like Staples can supply. First, there's the anywhere, anytime shopping — by phone, in store, and online at staples.com[®]. Then there's the unparalleled customer service. Staples[®] stores have been redesigned to make it easier for customers to locate the products they're looking for. More importantly, its 65,000 talented associates have spearheaded the delivery of the easiest possible shopping experience. The cornerstone of this effort is the Easy Service model.

Finally, there are Staples[®] brand products, featuring innovative products available only at Staples. Customers can choose from over 1,000



Staples[®] brand products, presented in award-winning packaging, rigorously tested for guaranteed quality and available at low prices.

Supporting and promoting all of these developments is the company's new tagline, "that was easy.SM", which was introduced in February 2003. In 2005 Staples augmented their new tagline with the popular "Easy ButtonSM" campaign, which vividly illustrates the relationship between Staples and an easy shopping experience.

Other innovations have required the re-engineering of the company's supply chain and strong vendor relations. For instance, Staples guarantees to have in stock the ink or toner that customers need. The goals are the same for Staples' delivery businesses. Staples.com is designed to simplify online shopping, and Staples' catalogs continue to be designed to make it easy to shop and buy.

RECENT DEVELOPMENTS

The newest addition to the Staples[®] brand family is the Staples Desk Apprentice[™], a rotating organizer invented by contestants on the popular TV show *The Apprentice*. The decision to take center stage on *The Apprentice* and to sell the Staples Desk Apprentice represented a savvy move by Staples to showcase its brand products on prime-time television.

The development of the Staples Desk Apprentice shares many qualities with Staples' annual Invention Quest[™] contest. Launched in 2003 as a contest to make it easy for inventors to bring their ideas to market, the first Invention Quest[™] nationwide search resulted in over 8,000 entries. The winning product was the WordLock[™] — a combination lock that uses words instead of numbers — and was introduced to Staples[®] stores in the summer of 2005 with three other products from Invention Quest. Invention Quest 2005 is currently under way and has drawn over 13,000 entries.

In 2005, Staples made office supply shopping even more convenient when it entered new retail channels and began selling office supplies in Stop & Shop and Kroger grocery stores. Staples also opened 15 new stores in a major new market, Chicago. The initial reports there bode well for Staples' ability to gain market share and differentiate itself in regions the company has yet to enter.

And differentiating itself is something at which Staples truly excels. Staples retail locations have UPS shipping services and professional Copy & Print Centers to help overburdened small-business

owners. Staples also recently launched two new programs: Staples[®] Easy Mobile Tech and Easy RebatesSM. Easy Mobile Tech provides PC and networking support in Staples[®] stores and offers "house calls" to both businesses and homes. Easy RebatesSM, meanwhile, enables customers to bypass the usual clipping and mailing and instead quickly send in product rebates over the Web. Staples is the first in its industry to make it possible for rebates to be submitted online. In just six months, over 3 million customers have used Easy RebatesSM.

PROMOTION

Staples has a history of using humor in its commercials to connect with customers and reinforce its accessible and people-friendly brand personality. The latest manifestation of this is the Easy ButtonSM campaign, a series of TV, print, radio, and interactive ads that present humor and familiar situations from life and the office to underscore how Staples makes shopping easy.

BRAND VALUES

In pioneering the office supply superstore industry, Staples changed the way businesses thought about and purchased office supplies. Today Staples is going one step beyond low prices. Staples is all about easy — a brand commitment delivered by a wide and innovative product selection and animated by associates who are committed to providing great customer service. It's no wonder the words "Staples. that was easySM" have become part of our popular vocabulary.



THINGS YOU DIDN'T KNOW ABOUT STAPLES

- As of July 2005, Staples employed more than 65,000 people.
- CEO Ron Sargent has been with Staples since 1989. He came from the grocery business. His first job — stocking shelves in his hometown store.
- To create buzz around the Staples[®] One-Touch Stapler[™], Staples auctioned off celebrity autographed staplers. The auction netted over \$50,000 for a variety of causes. Staplers fetching the highest bids (each over \$1,000) included ones from Paris Hilton, Jennifer Love Hewitt, Bill Gates, Donald Trump, Tiger Woods, and Ringo Starr.
- Just fifteen minutes after its sponsored episode of *The Apprentice*, Staples sold over 1,000 units of the Desk Apprentice.