



that was easy.®

THE MARKET

Staples has been keeping the drawers, cabinets, and breakrooms of businesses stocked since 1986. With over \$16.1 billion in sales; 1,780 stores in seven countries; and online, catalog, and contract delivery businesses in North and South America, Europe, and Asia, Staples is the world's largest seller of office products to small, home-based offices and Fortune 500 companies alike.

ACHIEVEMENTS

In 2006, Staples celebrates its 20th anniversary, and what an amazing 20 years they've been. Today, the company is known the world over as a groundbreaking retailer and pioneer of the office superstore. With a long record of leadership and innovation, Staples has been widely recognized by the media for its consistent financial success. For instance, Staples is No. 6 on *Fortune's* list of America's Most Admired Specialty Retailers, No. 137 on the Fortune 500, and No. 499 on *Forbes World's* 2000 Leading Companies. Staples also ranked No. 44 on the *BusinessWeek* Fifty, a list of top-performing companies.

Corporate responsibility is a key part of the Staples culture, as reflected in its initiative known as Staples SoulSM. In 2006, the company introduced Staples Soul as the embodiment of its commitment to environmental stewardship, business ethics, diversity, and community giving. The company continues to earn high praise for its leadership in these areas.

Staples was selected as a member of the 2005 Dow Jones Sustainability World Index. Also in 2005, Staples ranked No. 76 on *Business Ethics* magazine's 100 Top Corporate Citizens and No. 2 on *DiversityInc.*'s Top Companies for Executive Women. *DiversityInc.* also named Staples to its list of Top 50 Companies for Diversity for the second year in a row.

Staples sells more than 2,800 products made with recycled post-consumer materials, runs comprehensive recycling programs in all its facilities, and gets 10 percent of the power it uses from renewable energy sources. Four years ago, Staples issued the industry's first

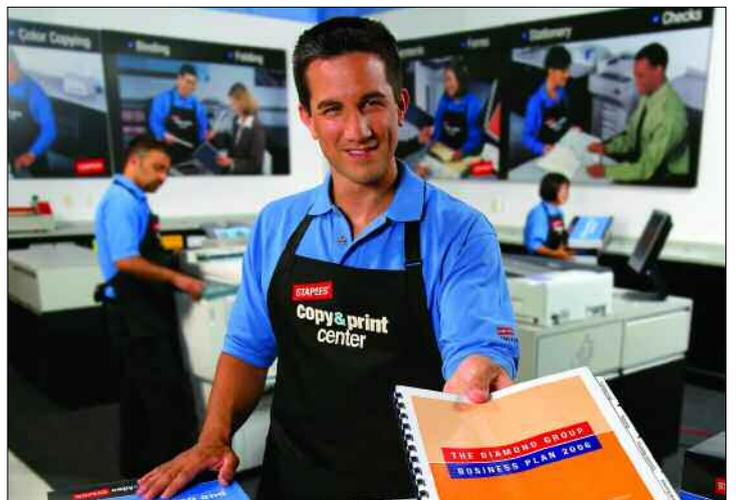
Environmental Paper Procurement policy, hailed by environmental groups as a major step in protecting forests by reducing the use of virgin fibers in paper production.

Coupled with its environmental programs is the company's commitment to the community. Staples Recycle for Education has raised more than \$3.4 million for classrooms nationwide. And in 2005, Staples began selling the Easy ButtonTM, a desk accessory featured in its advertising.

In 2005 and 2006, all proceeds from its sale, up to \$1 million each year, benefit the Boys & Girls Club of America.

The Boys & Girls Club of America is the single biggest recipient of grants from Staples Foundation for Learning[®]. Created in August 2002, the Foundation provides grants to groups that offer education and job training to people from all walks of life, especially disadvantaged youth. Since its inception, the Foundation has awarded almost \$6 million to 302 nonprofits in 169 communities throughout the United States.

Staples is extending its commitment to communities globally. For instance, Staples has teamed up with Ashoka, an organization that supports fledgling entrepreneurs around the world. The Ashoka Youth Venture Program, which helps young people realize their dreams and give back to their communities, is a great match with Staples' entrepreneurial spirit and its Foundation's focus on youth and education.



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, and stores farther away did not stock the ribbon he needed. During this fruitless search, Stemberg decided 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 was able to give the same deep discounts to small-business people.

Staples 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 superstores other than Staples remain in business in North America.

With so many companies racing 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 with stores 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 start-up.



Today, Staples has grown its European retail presence to 258 stores in the United Kingdom, Germany, Portugal, the Netherlands, and Belgium. Staples also delivers to companies in all those countries as well as France, Switzerland, Italy, Spain, Sweden, Denmark, Austria, Hungary, the Czech Republic, Luxembourg, and Poland. Staples has now entered China and South America as well.

Staples entered the delivery business in 1989 with the introduction of its first catalog.

In 1998 the company took the wraps off its award-winning eCommerce site, staples.com®, and 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. Quill®, along with Staples Business Delivery®, specializes in serving small- and medium-size 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.

THE PRODUCT

Twenty years since opening its first store, Staples is still leading the way with bold innovations and



big ideas. In the global marketplace, low prices and great selection are not enough. Businesses need someone to make life easier. So Staples no longer simply sells office products. It sells an experience: the Easy Brand Experience. The company unveiled its new tagline “that was easy®” in 2003. And in 2005, Staples augmented its new tagline with the popular Easy Button campaign, which vividly illustrates the relationship between Staples and an easy shopping experience.



This evolution represents much more than a marketing effort. Creating an easy experience is hard work, one that requires a powerful commitment to customer service. In response, Staples stores have been redesigned to make it easier for customers to locate the products they’re looking for. More importantly, talented Staples associates have spearheaded the delivery of the easiest possible shopping experience.

The goals are the same for Staples delivery businesses. The Staples Web site has been redesigned to simplify online shopping, and catalogs continue to make it easy to shop and buy. The company promises fast and reliable delivery and is committed to delivering the perfect order.

J.D. Power and Associates recently awarded Staples its Certified Call Center™ Program certificate for customer satisfaction excellence. Staples is the first office products company, and one of the first companies nationwide, to have its call centers certified by J.D. Power.

Programs at Staples are also designed to make it easy for customers. Easy Mobile Tech provides PC and networking support in Staples stores and makes “house calls” to both businesses and homes. Easy Rebates®, meanwhile, enables customers to bypass the usual clipping and mailing. Instead, they apply for product rebates online at stapleseasyrebates.com. Staples is the first in its industry to make it possible for rebates to be submitted online. The latest estimates are that over 8 million customers have used Easy Rebates.

RECENT DEVELOPMENTS

Staples is taking “easy” one step further, into product development, with a comprehensive line of approximately 1,400 Staples® brand products, all rigorously tested for guaranteed performance (at low prices, of course). In addition to pens and paper, Staples® brand includes entirely new product inventions, such as the WordLock™ and Spindex™, both discovered and introduced through Staples annual Invention Quest® contest.

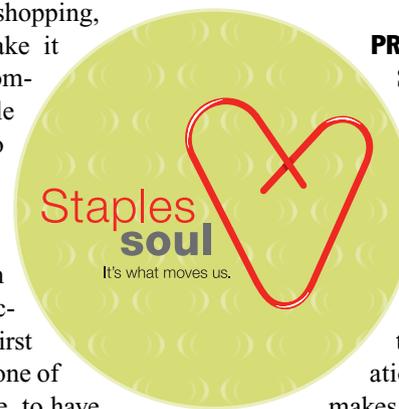
Wordlock, a combination lock that uses words instead of numbers, recently received the Private Label Manufacturers Association Home, Health & Leisure Award. Spindex, which turns traditional spindle racks into organized filing systems for CDs and DVDs, will hit the market in

the fall of 2006. Launched in 2003 as a contest to make it easy for inventors to bring their ideas to market, the Invention Quest nationwide search has resulted in over 22,000 entries since inception.

In 2005, Staples entered a major new market, Chicago, with a confidence that grew from careful planning and marketing. The retailer aggressively opened 25 stores in its first 10 months in the market. By the end of this year, Staples expects to have 40 Chicago-area stores.

The company’s success in Chicago proves that it is able to quickly grow market share and differentiate itself in new markets.

And differentiation is something at which Staples definitely excels. Retail locations have UPS shipping services and professional Copy & Print Centers to help overburdened small business owners. In early 2006, the Copy & Print Centers introduced Web submission to make it even easier for busy customers. They can now submit their copy and print jobs online for pickup at any Staples store around the country.



PROMOTION

Staples has a history of using humor in its commercials to connect with customers and reinforce its accessible and people-friendly brand personality. Today’s popular Easy Button campaign features TV, print, radio, and interactive ads that use humor and familiar situations to underscore how Staples makes shopping easy.

BRAND VALUES

In pioneering the office supply superstore industry 20 years ago, Staples changed the way businesses purchase office supplies. Today Staples is going way beyond low prices. Staples is all about easy — a brand commitment delivered by a wide and innovative product selection and lived by associates who are committed to providing great customer service. It’s no wonder the words “Staples — that was easy®” have become part of our popular vocabulary, and that the Effie Award-winning Easy Button has become part of American popular culture.

THINGS YOU DIDN'T KNOW ABOUT STAPLES

- As of February 2006, Staples employed more than 69,000 people.
- Through sales of post-consumer recycled paper content in 2005, Staples and its customers saved the equivalent of more than 1.6 million trees, or more than 5,600 acres of forest. That’s almost seven times the size of New York’s Central Park!