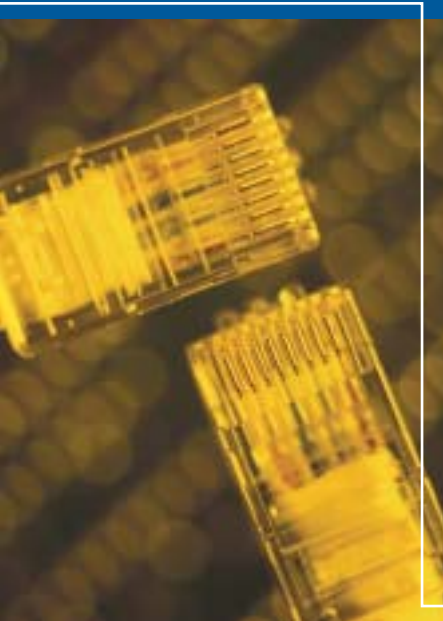


LEVERAGING THE NETWORK





**COINSTAR, INC.** owns and operates the only nationwide network of supermarket-based machines that offer coin counting and other electronic services. Linked by a sophisticated interactive network, the company has more than 8,500 machines throughout North America, as well as in Canada and the United Kingdom.

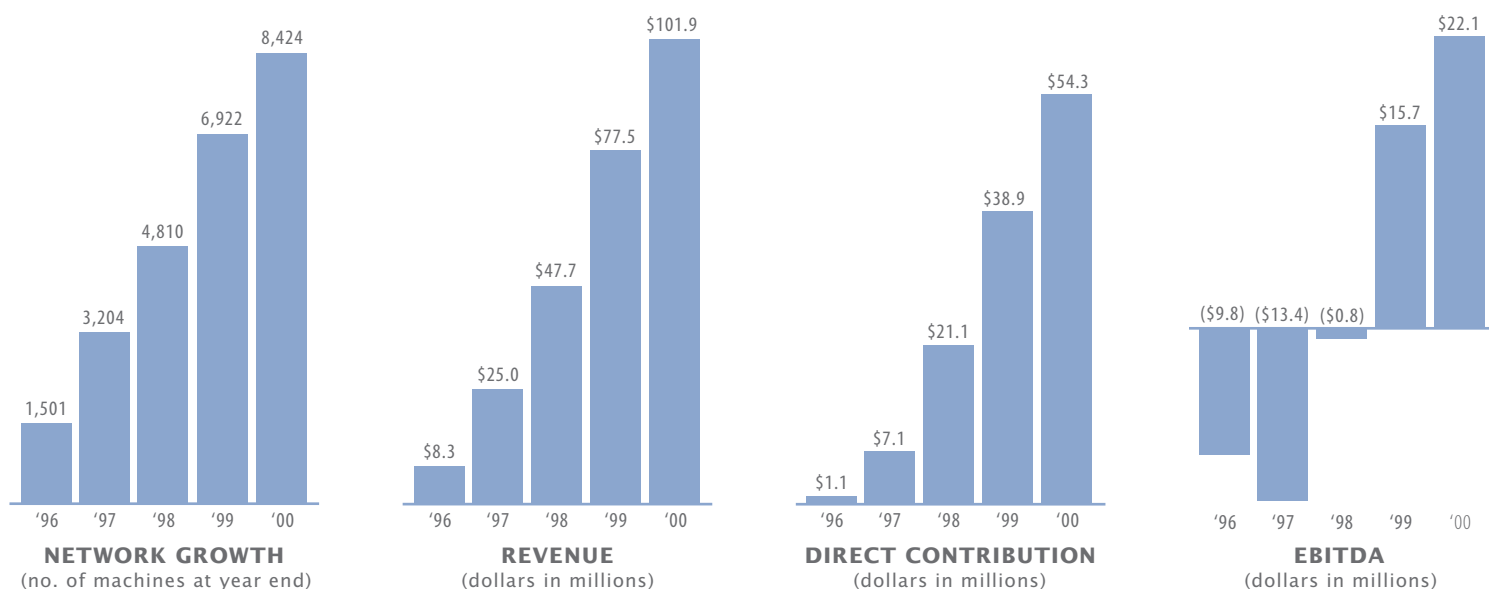
# FINANCIAL HIGHLIGHTS United States Core Business

(in thousands, except per share data)

*The following financial information represents the results of the United States core business only. Consolidated financial information is presented in the Annual Report on Form 10-K enclosed herein.*

	<u>2000</u>	<u>1999</u>
REVENUE	\$ 101,928	\$ 77,467
DIRECT CONTRIBUTION	\$ 54,329	\$ 38,924
EBITDA*	\$ 22,086	\$ 15,732
OPERATING LOSS	\$ (2,369)	\$ (4,014)
NET LOSS	\$ (8,022)	\$ (16,703)
NET LOSS PER SHARE (basic and diluted)	\$ (0.40)	\$ (0.94)
WEIGHTED SHARES OUTSTANDING	20,271	17,857

\*Includes non-cash stock-based compensation of \$505 in 2000.



## FELLOW SHAREHOLDERS

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During 2000, Coinstar posted strong financial performance and enjoyed tremendous operational success. Our United States core business continued to grow rapidly and demonstrated its excellent cash generating ability. In the United Kingdom, our pilots with three major U.K. supermarket retailers continued to perform well, positioning us for expansion in 2001. And we made significant progress in the new products area, creating additional growth opportunities for the future.

For our U.S. core business, revenues increased 32 percent on a 22 percent increase in the number of Coinstar machines installed. Direct contribution expanded 40 percent, while operating cash flow, as measured by EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), increased 44 percent.

Our U.S. core business achieved two important milestones in 2000: processing more than \$1 billion in coins in a single year and passing the \$100 million mark in annual revenues. These milestones are important because they underscore the capability and expanding size of our nationwide network of machines.

In November 2000, Dan Gerrity announced his decision to step down as chief executive officer of Coinstar. During seven years of leadership, Dan made an enormous contribution to the company and was instrumental in laying the foundation for our current success and bright outlook.

### A UNIQUE BUSINESS

Coinstar is a one-of-a-kind business. We own and operate the only national network of coin-counting machines in the United States. A sophisticated, interactive network links our coast-to-coast system of more than 8,500 machines. We have strong relationships with over 200 grocery retailers, including 19 of the top 20 in the U.S. And we have a sophisticated logistics operation that processes nearly three billion coins each month.

Our 471 dedicated, enthusiastic employees make Coinstar run—and run well—day in and day out. “We care about the quality of our work,” was the response most often heard from our employees in a survey, conducted by an independent company. This attitude generates huge benefits for Coinstar. Examples include machine uptime of 98% and coin counting accuracy of 99.9996% as a result of





DIANE RENIHAN,  
*Chief Financial Officer*



MICHAEL DORAN,  
*Senior Vice President of Software Technology*



RICH STILLMAN,  
*Chief Operating Officer*



MICHAEL PARKS,  
*Senior Vice President of Operations*



ALEX CAMERA,  
*Managing Director of Coinstar, Ltd.*



JOHN REILLY,  
*Vice President of Coin Services*



BILL BOOTH,  
*Senior Vice President of Retail Development*



CAROL LEWIS,  
*Chief Administrative Officer & Corporate Secretary*



*"It is change, continuing change,  
inevitable change, that is the  
dominant force in society today."*

*-Issac Asimov*

superior maintenance by our world-class field service team. With these unique assets, we have created considerable barriers to entry for potential competitors. These same assets will allow us to offer an array of valuable services to our customers.

## GENERATING CASH FLOW

The U.S. core business is demonstrating excellent economies of scale as it grows. As we drive top line revenue, we gain operating efficiencies that make direct contribution grow faster than revenue and EBITDA grow even faster than direct contribution.

An aggressive, integrated marketing campaign in the U.S. paid dividends throughout 2000, driving top line growth. For the first time, we used a mix of four nationally advertised promotions, and television, radio, and print advertising in key local markets. Also, we converted our philanthropic effort, Coins That Count™, into an expanded cause-marketing program. The key focus of these marketing programs was generating trial usage, because we know, based on research, that 80 percent of people who try Coinstar once, use our service again and again.

Driving revenue growth is only part of the story. We successfully managed direct operating expenses and increased the U.S. core business direct contribution margin to 53.3%, up from 50.2% in 1999 and 44.3% in 1998. We are similarly aggressive about managing research and development and sales, general and administrative expenses.

## NEW OPPORTUNITIES

We have exciting growth opportunities overseas, with a promising expansion in the United Kingdom. We have been running successful pilots with three of the four largest supermarket retailers in that country. On May 1, 2001, we announced rollout agreements with ASDA Stores, a subsidiary of Wal-Mart, and Sainsbury's Supermarkets. These two chains combined account for 40% of U.K. grocery sales. Based on the results achieved during our two-year pilot and the strong consumer response,

we hope to repeat the success we have enjoyed in the United States. Additionally, because much of the U.K. operation is run from our Bellevue, Washington headquarters, we are able to further leverage our U.S. infrastructure.


We have created an efficient, growing coin-counting business. Using the same assets, we can offer new products and services. We are on track with plans to offer prepaid cash cards through the Coinstar network. In 2000, we conducted successful tests with our partner, DataWave Systems Inc., establishing our ability to integrate their point-of-sale card activation technology into the Coinstar machine. We have also tested the prepaid cash card concept with consumers, whose overwhelmingly positive reaction confirms what the experts project: this is a large and attractive market. We will be piloting the cash card system through the remainder of 2001. The results of that pilot could lead to a full-scale rollout in 2002.

## WHAT'S NEXT

We entered 2001 with real momentum and great optimism about our future. With superb U.S. core business performance, the U.K. expansion, and exciting new products such as prepaid cards, we are laying the foundation for continued growth. Among these many successes, we had one disappointment. Our Meals.com subsidiary was unable to raise additional funds to continue operations. In the best interest of Coinstar shareholders, we are pursuing the sale of Meals' assets in preparation for an orderly wind-down of its business.

We would like to express our appreciation to our two retiring board members, Bob Aders and Bill Ruckelshaus, for their outstanding service to the company. And we want to extend our deepest gratitude to our founder, Jens Molbak, who stepped down as chairman of the board on June 20, 2001. Jens has been the creative force and vision behind Coinstar for 11 years. Happily, he will continue to be involved with the company as a consultant.

To our committed employees and partners, thanks for making 2000 a great year. We look forward to working together to build upon our progress.



RICHARD P. STILLMAN,  
*Chief Operating Officer*



DIANE L. RENIHAN,  
*Chief Financial Officer*



M. CAROL LEWIS,  
*Chief Administrative Officer  
& Corporate Secretary*

## SIX YEAR SUMMARY

of selected financial data and operating results for the United States core business

DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA

2000

1999

REVENUE	\$ 101,928	\$ 77,467
REVENUE PER AVERAGE INSTALLED UNIT	\$ 13,294	\$ 13,341
DIRECT CONTRIBUTION (LOSS)	\$ 54,329	\$ 38,924
DIRECT CONTRIBUTION MARGIN	53.3 %	50.2 %
DIRECT CONTRIBUTION PER AVERAGE INSTALLED UNIT	\$ 7,086	\$ 6,703
REGIONAL MARKETING	\$ 11,355	\$ 6,381
RESEARCH AND DEVELOPMENT	\$ 3,262	\$ 4,179
SELLING, GENERAL AND ADMINISTRATIVE*	\$ 17,626	\$ 12,632
EBITDA	\$ 22,086	\$ 15,732
EBITDA MARGIN (%)	21.7 %	20.3 %
DEPRECIATION AND AMORTIZATION	\$ (24,456)	\$ (19,745)
INTEREST AND OTHER INCOME (EXPENSE), NET	\$ (5,653)	\$ (12,689)
NET LOSS	\$ (8,022)	\$ (16,703)
NET LOSS PER SHARE, BASIC AND DILUTED	\$ (0.40)	\$ (0.94)

\*Includes non-cash stock-based compensation of \$505 in 2000.



	1998	1997	1996	1995
	\$ 47,654	\$ 25,007	\$ 8,312	\$ 1,063
	\$ 11,942	\$ 10,709	\$ 9,860	\$ 2,325
	\$ 21,089	\$ 7,108	\$ 1,054	\$ (273)
	44.3 %	28.4 %	12.7 %	(25.7) %
	\$ 5,285	\$ 3,044	\$ 1,250	\$ (2,395)
	\$ 3,778	\$ 3,088	\$ 1,505	\$ 349
	\$ 4,744	\$ 6,362	\$ 3,969	\$ 1,830
	\$ 13,358	\$ 11,079	\$ 5,351	\$ 2,790
	\$ (792)	\$ (13,421)	\$ (9,771)	\$ (5,242)
	(1.7) %	(53.7) %	(117.6) %	(493.1) %
	\$ (13,216)	\$ (8,679)	\$ (4,135)	\$ (1,117)
	\$ (9,211)	\$ (7,493)	\$ (2,061)	\$ 190
	\$ (23,219)	\$ (29,593)	\$ (15,967)	\$ (6,169)
	\$ (1.53)	\$ (3.81)	\$ (20.37)	\$ (8.23)

# DIRECTORS AND OFFICERS

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## BOARD OF DIRECTORS

Ronald A. Weinstein

*Private Investor*

Robert O. Aders

*Chairman  
The Advisory Board, Inc.*

David M. Eskenazy

*Vice President  
R.C. Hedreen Company*

William D. Ruckelshaus

*Principal  
Madrona Investment Group L.L.C.*

David E. Stitt

*Managing Partner  
Banyan Private Equity Management*

## OFFICERS

Richard P. Stillman

*Chief Operating Officer*

Diane L. Renihan

*Chief Financial Officer*

M. Carol Lewis

*Chief Administrative Officer  
and Corporate Secretary*

Michael W. Parks

*Senior Vice President of Operations*

Michael L. Doran

*Senior Vice President of Software Technology*

William W. Booth

*Senior Vice President of Retail Development*

John P. Reilly

*Vice President of Coin Services*

Richard C. Deck

*Chief Accounting Officer*

## SUBSIDIARY OFFICERS

Jens H. Molbak

*Chief Executive Officer of Meals.com*

John D. Melin

*General Manager/Vice President of Business  
Development of Meals.com*

Alexander C. Camara

*Managing Director of Coinstar, Ltd.*

## SHAREHOLDER INFORMATION

*Corporate headquarters:*

1800 114th Avenue SE  
Bellevue, WA 98004  
425.943.8000

*Independent auditors:*

Deloitte & Touche LLP  
700 Fifth Avenue, Suite 4500  
Seattle, WA 98104

*Annual meeting:*

The annual meeting of shareholders will be held on Friday, August 10, 2001, at 10 a.m. pacific time at corporate headquarters.

*Transfer agent and registrar:*

Computershare Trust Company, Inc.  
1825 Lawrence Street, Suite 444  
Denver, CO 80202  
303.986.5400

*Shareholder inquiries:*

Shareholder inquiries can be directed to 425.943.8234, or write us at Investor Relations, P.O. Box 91258, Bellevue, WA 98009. You can also visit our Web site.

*Stock exchange listing:*

Coinstar common stock is traded on the Nasdaq National Market System under the symbol "CSTR".

*Legal counsel:*

Perkins Coie LLP  
1201 Third Avenue, 48th Floor  
Seattle, WA 98101

*Stock ownership:*

As of May 31, 2001, there were approximately 140 record holders of the company's common stock.

*Web site:*

[www.coinstar.com](http://www.coinstar.com)

**SAFE HARBOR STATEMENT:** This annual report contains forward-looking statements relating to Coinstar's anticipated growth and future operating results that involve a number of risks and uncertainties. These are forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "intend," "anticipate," variations of such words, and similar expressions identify forward-looking statements, but their absence does not mean that the statement is not forward-looking. Forward looking statements in this report include, without limitation, statements with respect to Coinstar's financial performance for the remainder of the 2001 fiscal year, Coinstar's plans to expand its service in the United Kingdom, and the ability of Coinstar to effect a full-scale roll out of prepaid cash cards. Actual results may vary significantly from the results expressed or implied in such statements. Refer to the most recent reports filed with the Securities and Exchange Commission by Coinstar Inc., including the Annual Report on Form 10-K enclosed herein, for factors that may impact future results.

COINSTAR, INC.  
1800 114th Avenue SE  
Bellevue, WA 98004

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425.943.8000