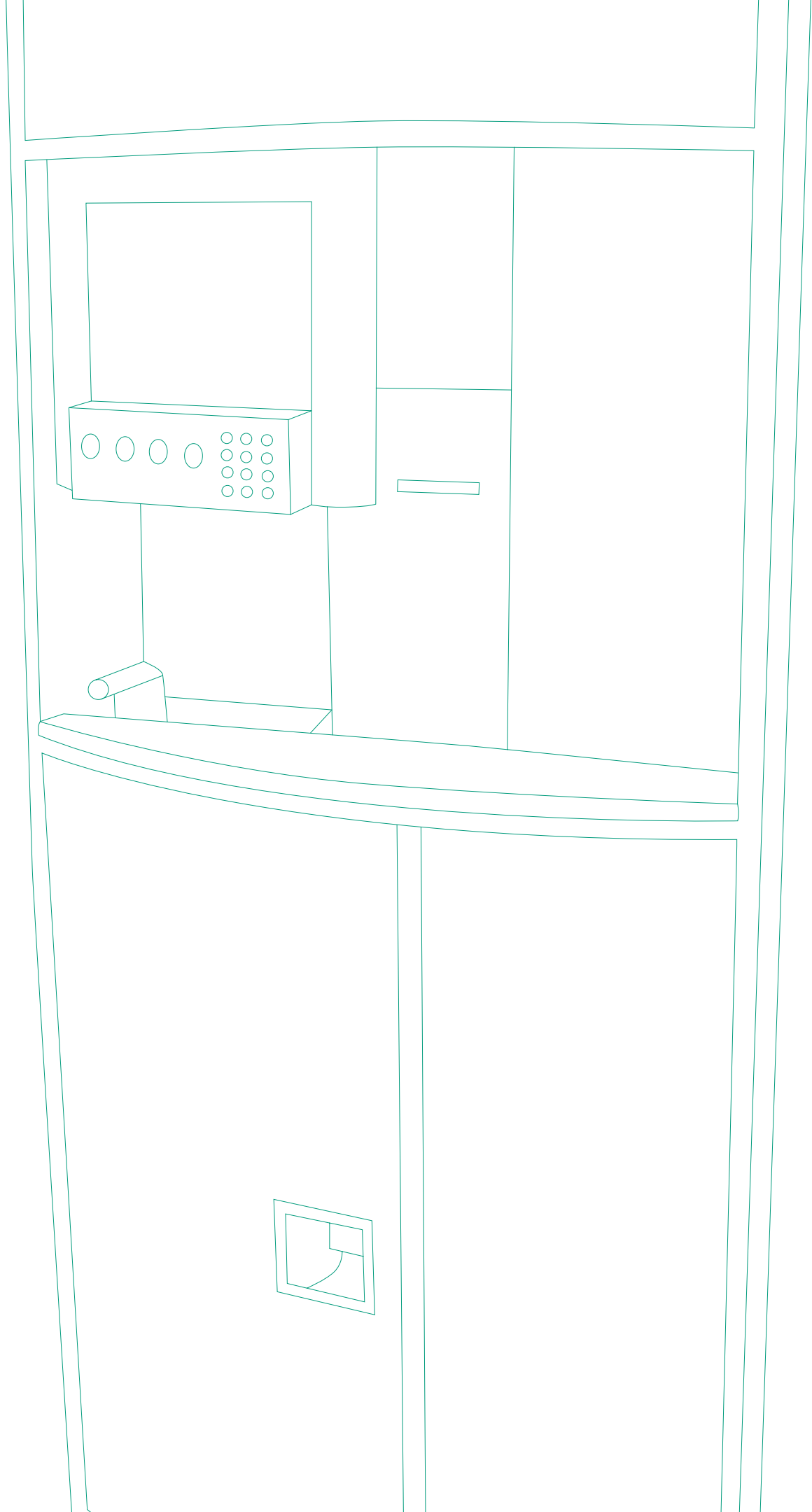




it's not just about change  
it's all about change

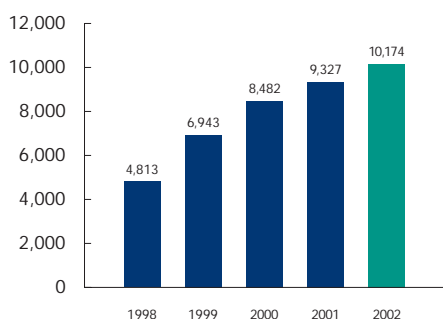


# about the company

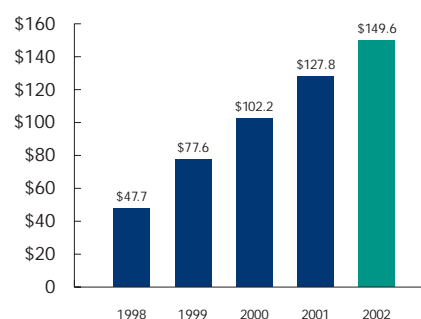
Coinstar Inc. owns and operates the only multi-national network of supermarket-based machines that offer self-service coin counting and other electronic services. The company has more than 10,000 machines linked by a sophisticated interactive network throughout the United States, as well as in Canada and the United Kingdom.

# financial highlights

dollars in millions, except per share data



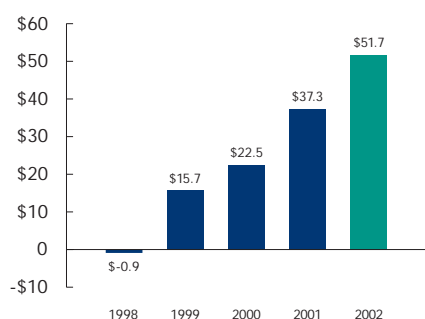
## Installed Units

Revenue  
(dollars in millions)

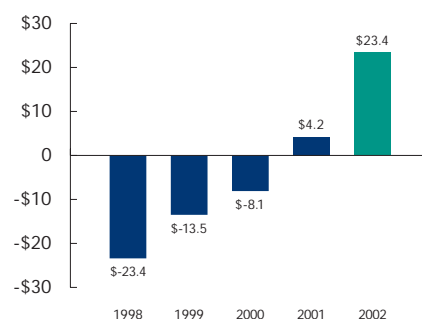
# north american core business

The following financial information represents the results of the North American core business only. Consolidated financial information prepared in accordance with accounting principles generally accepted in the United States of America is presented in the enclosed Annual Report on Form 10-K.

	2002	2001	2002/2001 percent change
Revenue	\$149.6	\$127.8	17.1%
Operating income	26.2	11.0	138.2%
Net income from continuing operations before income tax benefit	23.4	4.2	457.1%
Net income per diluted share before income tax benefit	\$1.03	\$0.19	442.1%
Weighted shares outstanding (000)	22,723	21,845	
Net cash provided by continuing operating activities	\$50.3	\$47.7	5.5%
EBITDA*	51.7	37.3	38.6%



EBITDA\*  
(dollars in millions)



Net Income from continuing operations  
before income tax benefit  
(dollars in millions)

\* EBITDA, which is presented in this 2002 Annual Report (including the enclosed Form 10-K), represents earnings before interest, taxes, depreciation and amortization, and non-cash stock-based compensation. For reconciliation of net cash provided by operating activities to EBITDA, please see "five year summary" on page 7.

# fellow shareholders

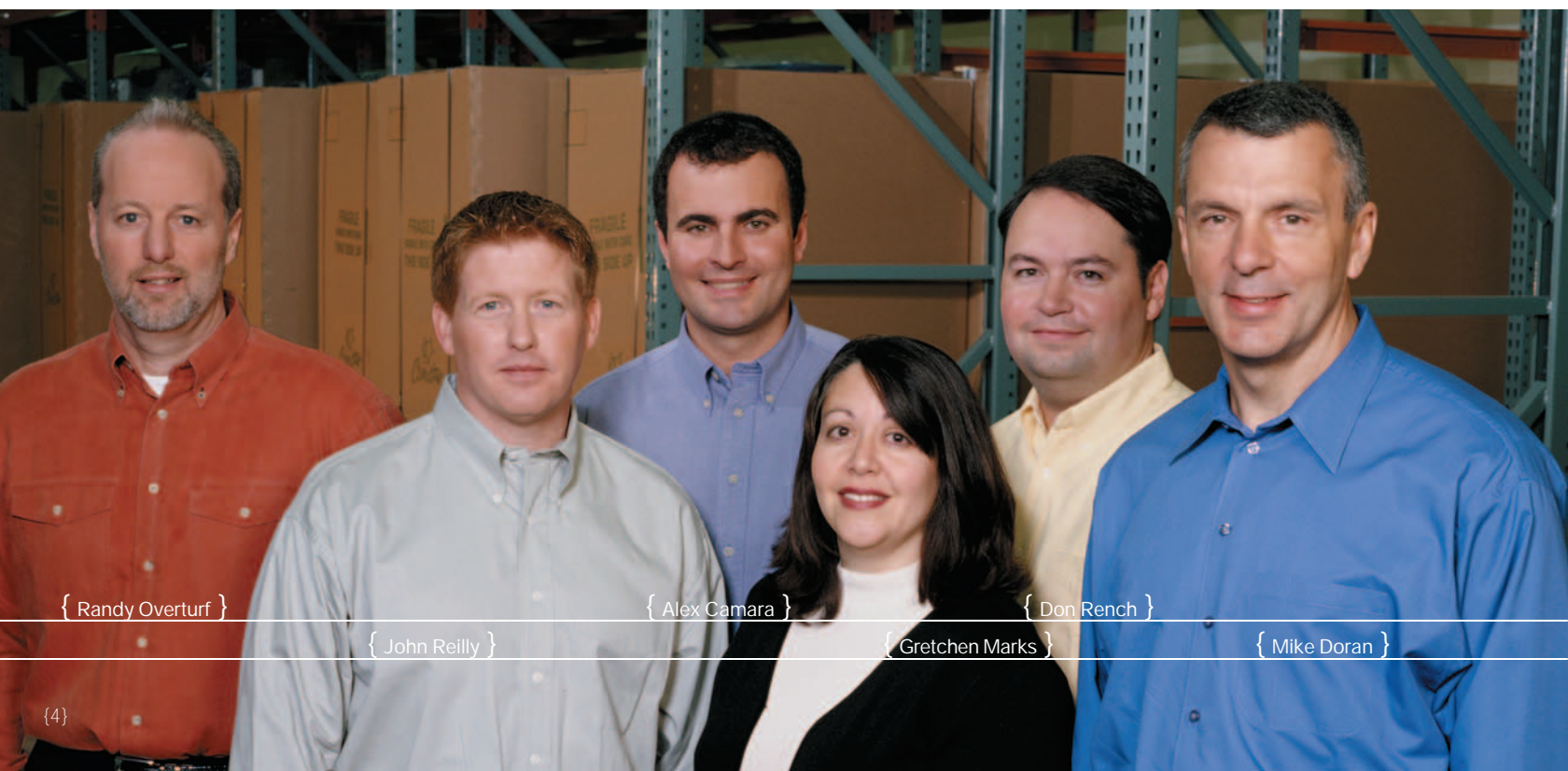
Coinstar is not just about change: quarters, dimes, nickels and pennies. We're about change: preparing for and meeting future challenges. The Coinstar team achieved a number of financial and operational goals in 2002 – small milestones that taken in combination translated into significantly improved results relative to fiscal 2001.

In April 2002 we secured a \$90 million Syndicated Senior Credit Facility with Bank of America N.A. as lead agent. The financing allowed us to retire \$36 million of our 13% senior subordinated notes, as well as pay off an existing \$15.5 million senior loan. The attractive terms of the facility provided flexibility and security, which we will require as we grow our business. It also allowed us to significantly reduce our interest expense. The new financing saved us approximately \$2.4 million during the year, and markedly improved our balance sheet.

Continuing our tradition of double-digit annual revenue growth, consolidated revenue for the full year 2002 increased 21% to \$156 million from \$129 million in 2001. This includes a 17% increase in Coinstar North American sales, as well as an impressive jump in overseas revenue from our United Kingdom operations. We continued to expand the business in 2002, surpassing the 10,000-install milestone and growing the annualized revenue per average unit.

In the second quarter of the year we rolled out the latest Coinstar machine design. The new "backlit" design serves two purposes: increasing revenue and enabling new products and services. The machine's bright, translucent panels are lit from behind, providing greater in-store visibility, which results in an incremental volume lift over time. Additionally, the machine is designed to accept new hardware, making rapid and cost-effective deployment of new products and services feasible. This is one way we are planning for success. The Coinstar team achieved its 2002 goal by strategically placing 1,500 backlit units by the end of the year, a telling measure of our execution capabilities and the progress we continue to make with technological innovation.

During the year we initiated pilots of Coinstar machines installed in locations outside our traditional base of high-traffic supermarkets. Other pilots involve relationships with third-party service providers. Working with these partners, we hope to find ways to expand our machine installations in more rural markets, as well as other channels of distribution such as high-traffic drug stores and mass merchandisers. We believe there could be significant installation growth opportunities resulting from these partnerships.



{ Randy Overturf }

{ Alex Camara }

{ Don Rench }

{ John Reilly }

{ Gretchen Marks }

{ Mike Doran }

While testing these ancillary markets, we continue to invest in our core business. We exceeded our new-unit installation goals both domestically and in the United Kingdom. Through a combination of television and radio advertising, public relations and national and local promotions, we are driving more consumers to Coinstar Centers and boosting same-unit volumes. Research shows that nearly 80% of first-time users become repeat users. Ultimately, our core business represents a unique, full-service platform that generates excellent per-square-foot economics for our supermarket partners.

Finally, Coinstar continues to explore the possibility of launching new consumer services through our existing and established infrastructure. We made steady progress in 2002 toward our goal of having a pipeline of new product pilots in test. We began one pilot with Prizm Technology, Inc. that allows prepaid wireless phone users to recharge their account balances at Coinstar Centers, and another with PhotoWorks Kiosks to provide photo processing services and photo CDs to digital camera users. We are actively exploring other product areas such as prepaid cards, bill payment and money transfer services. These pilots are designed to create long-term shareholder value by taking advantage of the operating leverage inherent in our business model.

In closing, we reiterate our belief that Coinstar is in excellent financial and operational condition. We ended 2002 with over \$41.5 million in cash, 43% less debt than in 2001, and significant free cash flow generated. Moreover, we exceeded earnings expectations in each of the year's four quarters. We have over 500 talented employees who are the true source of the success we've enjoyed. Looking to 2003 and beyond, we will continue to respond to an ever-changing environment, but adhere to a prudent philosophy that manages risk and focuses on shareholder value. With these principles in mind, we are excited about the next twelve months and look forward to addressing our diverse and growing shareholder base again next year.

Very Truly Yours,

David W. Cole, Chief Executive Officer

Richard P. Stillman, Chief Operating Officer



{ Dave Cole }

{ Rich Stillman }

{ Sara White }

{ Bill Booth }

{ Peter Rowan }

# five year summary

<div><div></div><div>dollars in thousands, except per share data</div></div>		Revenue
		Revenue per average installed unit
		Regional sales and marketing expense
		Product research and development expense
		Selling, general and administrative expense
		Depreciation and amortization expense
		Non-cash stock-based compensation expense
		Interest and other expense, net
		Net income (loss) <sup>2</sup> from continuing operations before income tax benefit
		Net income (loss) per share, diluted
		Net cash provided by continuing operating activities
		EBITDA <sup>3</sup>
		EBITDA margin <sup>4</sup>



# north american core business

five year summary of selected financial data and operating results for the north american core business<sup>1</sup>

2002	2001	2000	1999	1998
\$149,615	\$127,816	\$102,201	\$77,575	\$47,674
15,436	14,575	13,151	13,133	11,942
8,221	8,770	11,368	6,381	3,778
4,931	3,962	3,266	4,179	4,744
20,294	21,171	17,140	12,647	13,433
24,580	26,128	24,460	19,744	13,237
878	195	505	—	—
2,834	6,787	5,662	9,453	9,210
\$23,395	\$4,201	\$(8,109)	\$(13,526)	\$(23,387)
\$1.03	\$0.19	\$(0.40)	\$(0.76)	\$(1.54)
\$50,282	\$47,729	\$26,786	\$27,116	\$9,558
51,687	37,311	22,518	15,671	(940)
34.5%	29.2%	22.0%	20.2%	(2.0)%

<sup>1</sup> Note: The above financial information represents the results of the North American core business only. Consolidated financial information prepared in accordance with accounting principles generally accepted in the United States of America is presented in the enclosed Annual Report on Form 10-K.

<sup>2</sup> Excludes extraordinary loss due to early extinguishment of debt totaling \$3,942,000 and \$3,250,00 in 2002 and 1999, respectively, net of income tax effect. Also excludes income tax benefit of \$40,189,000 in 2002.

<sup>3</sup> Reconciliation of GAAP measurement to EBITDA measurement.	2002	2001	2000	1999	1998
Net cash provided by continuing operating activities	\$ 50,282	\$47,729	\$26,786	\$27,116	\$9,558
Changes in operating assets and liabilities	(510)	(16,884)	(8,992)	(11,913)	(9,325)
Other non-cash items	(919)	(321)	(938)	(8,985)	(10,383)
Net interest and other expense	2,834	6,787	5,662	9,453	9,210
EBITDA	\$51,687	\$37,311	\$22,518	\$15,671	\$(940)

We believe EBITDA is an important non-GAAP measure that provides useful cash flow information regarding our ability to service, incur or pay down indebtedness and repurchase our common stock.

<sup>4</sup> EBITDA margin represents EBITDA as a percentage of Revenue.

# information

## board of directors

- Keith D. Grinstein** Chairman of the Board
- Deborah L. Bevier** Former President and Chief Executive Officer | Laird Norton Financial Group
- David W. Cole** Chief Executive Officer | Coinstar, Inc.
- Frances M. Conley** Chairwoman and Chief Executive Officer | Cutter & Buck, Inc.
- David M. Eskenazy** Vice President | R.C. Hedreen Company
- Robert D. Szniewajs** President and Chief Executive Officer | West Coast Bancorp
- Ronald B. Woodard** Chairman | MagnaDrive Corporation

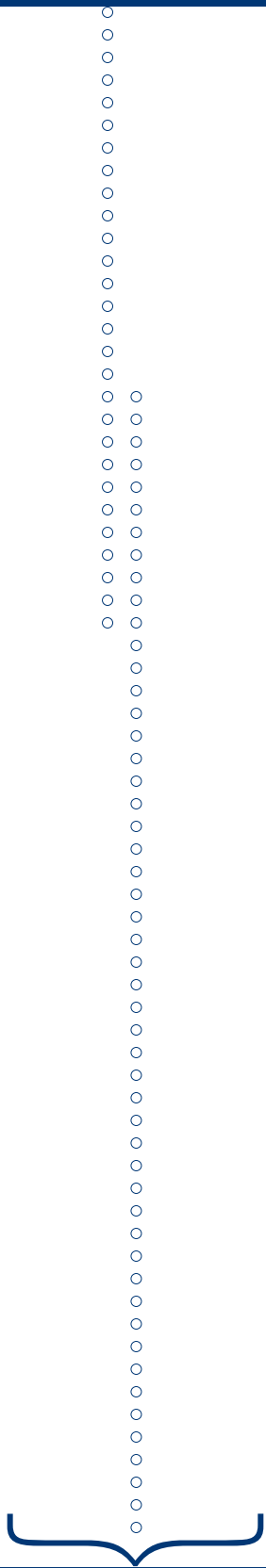
## officers

- David W. Cole** Chief Executive Officer
- Richard P. Stillman** Chief Operating Officer
- William W. Booth** Senior Vice President of Retail Development
- Michael L. Doran** Senior Vice President of Software Technology
- Alexander C. Camara** Vice President of U.K. Operations
- Gretchen J. Marks** Vice President of Marketing
- Randy S. Overturf** Vice President of Field Operations
- John P. Reilly** Vice President of Coin Services
- Donald R. Rench** Vice President, General Counsel and Corporate Secretary
- Peter D. Rowan** Vice President of New Business Innovation
- Sara L. White** Vice President of Human Resources
- Richard C. Deck** Chief Accounting Officer

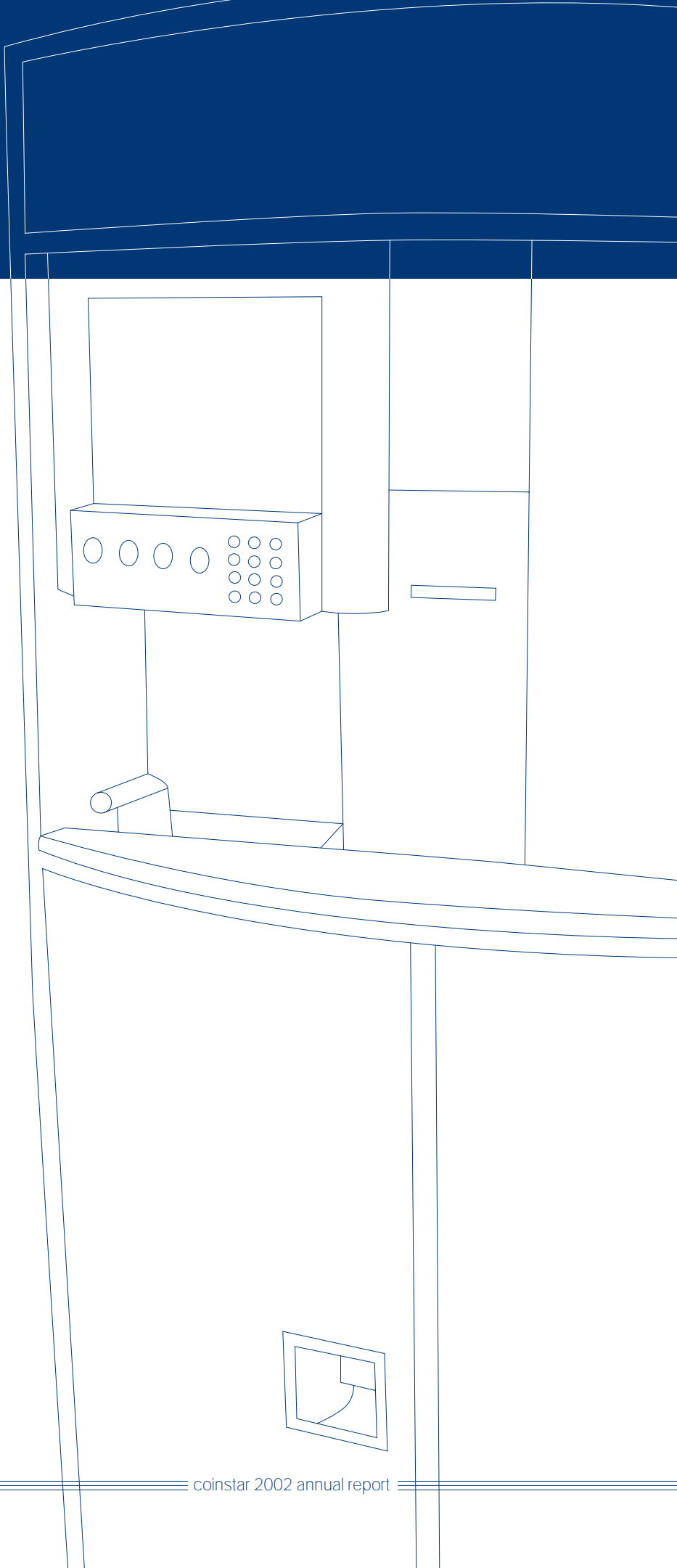
## stockholder information

- corporate headquarters** 1800 114th Avenue SE | Bellevue, WA 98004 | **425.943.8000**
- annual meeting** The annual meeting of stockholders will be held on Thursday, June 12, 2003, at 10:00 a.m. Pacific time at corporate headquarters.
- stockholder inquiries** Stockholder inquiries may be directed to **425.943.8234**, or to Investor Relations | P.O. Box 91258 | Bellevue, WA 98009
- legal counsel** Perkins Cole LLP | 1201 Third Avenue, 48th floor | Seattle, WA 98101
- independent auditors** Deloitte & Touche LLP | 700 Fifth Avenue, Suite 4500 | Seattle, WA 98104
- transfer agent and registrar** Computershare Trust Company, Inc. | 350 Indiana Street, Suite 800 | Golden, CO 80401 | 303.262.0600
- stock exchange listing** Coinstar common stock is traded on the Nasdaq National Market System under the symbol CSTR.
- web site** **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 2003 fiscal year, Coinstar's plan to expand its service in the United Kingdom, expected volume lift from newly introduced machine design, growth opportunities from pilot programs, and the ability of Coinstar to effectively introduce and successfully market new products and services. 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.



it's about change  
it's about changing  
it's about the future





1800 114th avenue se | bellevue, wa 98004 | 425.943.8000 | [www.coinstar.com](http://www.coinstar.com)