BULKY DOCUMENTS

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Proceeding/Serial No: 91122000

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Title: MOTION FOR SUMMARY JUDGMENT

Part 2 of _____

Exhibit K

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

Exhibit 99.1

amazon.com

To our shareholders:

Our ultimate financial measure, and the one we most want to drive over the long-term, is free cash flow per share.

Why not focus first and foremost, as many do, on earnings, earnings per share or earnings growth? The simple answer is that earnings don't directly translate into cash flows, and shares are worth only the present value of their future cash flows, not the present value of their future earnings. Future earnings are a component—but not the only important component—of future cash flow per share. Working capital and capital expenditures are also important, as is future share dilution.

Though some may find it counterintuitive, a company can actually impair shareholder value in certain circumstances by growing earnings. This happens when the capital investments required for growth exceed the present value of the cash flow derived from those investments.

To illustrate with a hypothetical and very simplified example, imagine that an entrepreneur invents a machine that can quickly transport people from one location to another. The machine is expensive—$160 million with an annual capacity of 100,000 passenger trips and a four year useful life. Each trip sells for $1,000 and requires $450 in cost of goods for energy and materials and $50 in labor and other costs.

Continue to imagine that business is booming, with 100,000 trips in Year 1, completely and perfectly utilizing the capacity of one machine. This leads to earnings of $10 million after deducting operating expenses including depreciation—a 10% net margin. The company's primary focus is on earnings; so based on initial results the entrepreneur decides to invest more capital to fuel sales and earnings growth, adding additional machines in Years 2 through 4.

Here are the income statements for the first four years of business:

	Earnings			
	Year 1	Year 2	Year 3	Year 4
		(in thousands)		
Sales	$100,000	$200,000	$400,000	$800,000
Units sold	100	200	400	800
Growth	N/A	100%	100%	100%
Gross profit	55,000	110,000	220,000	440,000
Gross margin	55%	55%	55%	55%
Depreciation	40,000	80,000	160,000	320,000
Labor & other costs	5,000	10,000	20,000	40,000
Earnings	$ 10,000	$ 20,000	$ 40,000	$ 80,000
Margin	10%	10%	10%	10%
Growth	N/A	100%	100%	100%

It's impressive: 100% compound earnings growth and $150 million of cumulative earnings. Investors considering only the above income statement would be delighted.

However, looking at cash flows tells a different story. Over the same four years, the transportation business generates cumulative negative free cash flow of $530 million.

	Cash Flows			
	Year 1	Year 2	Year 3	Year 4
	(in thousands)			
Earnings	$ 10,000	$ 20,000	$ 40,000	$ 80,000
Depreciation	40,000	80,000	160,000	320,000
Working capital	—	—	—	—
Operating Cash Flow	50,000	100,000	200,000	400,000
Capital expenditures	160,000	160,000	320,000	640,000
Free Cash Flow	$(110,000)	$ (60,000)	$(120,000)	$(240,000)

There are of course other business models where earnings more closely approximate cash flows. But as our transportation example illustrates, one cannot assess the creation or destruction of shareholder value with certainty by looking at the income statement alone.

Notice, too, that a focus on EBITDA—Earnings Before Interest, Taxes, Depreciation and Amortization—would lead to the same faulty conclusion about the health of the business. Sequential annual EBITDA would have been $50, $100, $200 and $400 million—100% growth for three straight years. But without taking into account the $1.28 billion in capital expenditures necessary to generate this 'cash flow,' we're getting only part of the story—EBITDA isn't cash flow.

What if we modified the growth rates and, correspondingly, capital expenditures for machinery—would cash flows have deteriorated or improved?

Year 2, 3 and 4 Sales and Earnings Growth Rate	Number of Machines in Year 4	Year 1 to 4 Cumulative Earnings	Year 1 to 4 Cumulative Free Cash Flow
		(in thousands)	
0%, 0%, 0%	1	$ 40,000	$ 40,000
100%, 50%, 33%	4	$100,000	$(140,000)
100%, 100%, 100%	8	$150,000	$(530,000)

Paradoxically, from a cash flow perspective, the slower this business grows the better off it is. Once the initial capital outlay has been made for the first machine, the ideal growth trajectory is to scale to 100% of capacity quickly, then stop growing. However, even with only one piece of machinery, the gross cumulative cash flow doesn't surpass the initial machine cost until Year 4 and the net present value of this stream of cash flows (using 12% cost of capital) is still negative.

Unfortunately our transportation business is fundamentally flawed. There is no growth rate at which it makes sense to invest initial or subsequent capital to operate the business. In fact, our example is so simple and clear as to be obvious. Investors would run a net present value analysis on the economics and quickly determine it doesn't pencil out. Though it's more subtle and complex in the real world, this issue—the duality between earnings and cash flows—comes up all the time.

Cash flow statements often don't receive as much attention as they deserve. Discerning investors don't stop with the income statement.

Our Most Important Financial Measure: Free Cash Flow Per Share

Amazon.com's financial focus is on long-term growth in free cash flow per share.

Amazon.com's free cash flow is driven primarily by increasing operating profit dollars and efficiently managing both working capital and capital expenditures. We work to increase operating profit by focusing on improving all aspects of the customer experience to grow sales and by maintaining a lean cost structure.

We have a cash generative operating cycle[1] because we turn our inventory quickly, collecting payments from our customers before payments are due to suppliers. Our high inventory turnover means we maintain relatively low levels of investment in inventory—$480 million at year end on a sales base of nearly $7 billion.

The capital efficiency of our business model is illustrated by our modest investments in fixed assets, which were $246 million at year end or 4% of 2004 sales.

Free cash flow[2] grew 38% to $477 million in 2004, a $131 million improvement over the prior year. We are confident that if we continue to improve customer experience—including increasing selection and lowering prices—and execute efficiently, our value proposition, as well as our free cash flow, will further expand.

As to dilution, total shares outstanding plus stock-based awards are essentially unchanged at the end of 2004 compared with 2003, and are down 1% over the last three years. During that same period, we've also eliminated over six million shares of potential future dilution by repaying more than $600 million of convertible debt that was due in 2009 and 2010. Efficiently managing share count means more cash flow per share and more long-term value for owners.

This focus on free cash flow isn't new for Amazon.com. We made it clear in our 1997 letter to shareholders—our first as a public company—that when "forced to choose between optimizing GAAP accounting and maximizing the present value of future cash flows, we'll take the cash flows." I'm attaching a copy of our complete 1997 letter and encourage current and prospective shareowners to take a look at it.

As always, we at Amazon.com are grateful to our customers for their business and trust, to each other for our hard work, and to our shareholders for their support and encouragement.

Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

April 2005

1 The operating cycle is number of days of sales in inventory plus number of days of sales in accounts receivable minus accounts payable days.

2 Free cash flow is defined as net cash provided by operating activities less purchases of fixed assets, including capitalized internal-use software and website development, both of which are presented on our statements of cash flows. Free cash flow for 2004 of $477 million is net cash provided by operating activities of $567 million less purchases of fixed assets, including capitalized internal-use software and website development costs, of $89 million. Free cash flow for 2003 of $346 million is net cash provided by operating activities of $392 million less purchases of fixed assets, including capitalized internal-use software and website development costs, of $46 million.

amazon.com

1997 LETTER TO SHAREHOLDERS
(Reprinted from the 1997 Annual Report)

To our shareholders:

Amazon.com passed many milestones in 1997: by year-end, we had served more than 1.5 million customers, yielding 838% revenue growth to $147.8 million, and extended our market leadership despite aggressive competitive entry.

But this is Day 1 for the Internet and, if we execute well, for Amazon.com. Today, online commerce saves customers money and precious time. Tomorrow, through personalization, online commerce will accelerate the very process of discovery. Amazon.com uses the Internet to create real value for its customers and, by doing so, hopes to create an enduring franchise, even in established and large markets.

We have a window of opportunity as larger players marshal the resources to pursue the online opportunity and as customers, new to purchasing online, are receptive to forming new relationships. The competitive landscape has continued to evolve at a fast pace. Many large players have moved online with credible offerings and have devoted substantial energy and resources to building awareness, traffic, and sales. Our goal is to move quickly to solidify and extend our current position while we begin to pursue the online commerce opportunities in other areas. We see substantial opportunity in the large markets we are targeting. This strategy is not without risk: it requires serious investment and crisp execution against established franchise leaders.

It's All About the Long Term

We believe that a fundamental measure of our success will be the shareholder value we create over the *long term*. This value will be a direct result of our ability to extend and solidify our current market leadership position. The stronger our market leadership, the more powerful our economic model. Market leadership can translate directly to higher revenue, higher profitability, greater capital velocity, and correspondingly stronger returns on invested capital.

Our decisions have consistently reflected this focus. We first measure ourselves in terms of the metrics most indicative of our market leadership: customer and revenue growth, the degree to which our customers continue to purchase from us on a repeat basis, and the strength of our brand. We have invested and will continue to invest aggressively to expand and leverage our customer base, brand, and infrastructure as we move to establish an enduring franchise.

Because of our emphasis on the long term, we may make decisions and weigh tradeoffs differently than some companies. Accordingly, we want to share with you our fundamental management and decision-making approach so that you, our shareholders, may confirm that it is consistent with your investment philosophy:

- We will continue to focus relentlessly on our customers.
- We will continue to make investment decisions in light of long-term market leadership considerations rather than short-term profitability considerations or short-term Wall Street reactions.
- We will continue to measure our programs and the effectiveness of our investments analytically, to jettison those that do not provide acceptable returns, and to step up our investment in those that work best. We will continue to learn from both our successes and our failures.

- We will make bold rather than timid investment decisions where we see a sufficient probability of gaining market leadership advantages. Some of these investments will pay off, others will not, and we will have learned another valuable lesson in either case.
- When forced to choose between optimizing the appearance of our GAAP accounting and maximizing the present value of future cash flows, we'll take the cash flows.
- We will share our strategic thought processes with you when we make bold choices (to the extent competitive pressures allow), so that you may evaluate for yourselves whether we are making rational long-term leadership investments.
- We will work hard to spend wisely and maintain our lean culture. We understand the importance of continually reinforcing a cost-conscious culture, particularly in a business incurring net losses.
- We will balance our focus on growth with emphasis on long-term profitability and capital management. At this stage, we choose to prioritize growth because we believe that scale is central to achieving the potential of our business model.
- We will continue to focus on hiring and retaining versatile and talented employees, and continue to weight their compensation to stock options rather than cash. We know our success will be largely affected by our ability to attract and retain a motivated employee base, each of whom must think like, and therefore must actually be, an owner.

We aren't so bold as to claim that the above is the "right" investment philosophy, but it's ours, and we would be remiss if we weren't clear in the approach we have taken and will continue to take.

With this foundation, we would like to turn to a review of our business focus, our progress in 1997, and our outlook for the future.

Obsess Over Customers

From the beginning, our focus has been on offering our customers compelling value. We realized that the Web was, and still is, the World Wide Wait. Therefore, we set out to offer customers something they simply could not get any other way, and began serving them with books. We brought them much more selection than was possible in a physical store (our store would now occupy 6 football fields), and presented it in a useful, easy-to-search, and easy-to-browse format in a store open 365 days a year, 24 hours a day. We maintained a dogged focus on improving the shopping experience, and in 1997 substantially enhanced our store. We now offer customers gift certificates, 1-Click℠ shopping, and vastly more reviews, content, browsing options, and recommendation features. We dramatically lowered prices, further increasing customer value. Word of mouth remains the most powerful customer acquisition tool we have, and we are grateful for the trust our customers have placed in us. Repeat purchases and word of mouth have combined to make Amazon.com the market leader in online bookselling.

By many measures, Amazon.com came a long way in 1997:

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- We established long-term relationships with many important strategic partners, including America Online, Yahoo!, Excite, Netscape, GeoCities, AltaVista, @Home, and Prodigy.

Infrastructure

During 1997, we worked hard to expand our business infrastructure to support these greatly increased traffic, sales, and service levels:

- Amazon.com's employee base grew from 158 to 614, and we significantly strengthened our management team.
- Distribution center capacity grew from 50,000 to 285,000 square feet, including a 70% expansion of our Seattle facilities and the launch of our second distribution center in Delaware in November.
- Inventories rose to over 200,000 titles at year-end, enabling us to improve availability for our customers.
- Our cash and investment balances at year-end were $125 million, thanks to our initial public offering in May 1997 and our $75 million loan, affording us substantial strategic flexibility.

Our Employees

The past year's success is the product of a talented, smart, hard-working group, and I take great pride in being a part of this team. Setting the bar high in our approach to hiring has been, and will continue to be, the single most important element of Amazon.com's success.

It's not easy to work here (when I interview people I tell them, "You can work long, hard, or smart, but at Amazon.com you can't choose two out of three"), but we are working to build something important, something that matters to our customers, something that we can all tell our grandchildren about. Such things aren't meant to be easy. We are incredibly fortunate to have this group of dedicated employees whose sacrifices and passion build Amazon.com.

Goals for 1998

We are still in the early stages of learning how to bring new value to our customers through Internet commerce and merchandising. Our goal remains to continue to solidify and extend our brand and customer base. This requires sustained investment in systems and infrastructure to support outstanding customer convenience, selection, and service while we grow. We are planning to add music to our product offering, and over time we believe that other products may be prudent investments. We also believe there are significant opportunities to better serve our customers overseas, such as reducing delivery times and better tailoring the customer experience. To be certain, a big part of the challenge for us will lie not in finding new ways to expand our business, but in prioritizing our investments.

We now know vastly more about online commerce than when Amazon.com was founded, but we still have so much to learn. Though we are optimistic, we must remain vigilant and maintain a sense of urgency. The challenges and hurdles we will face to make our long-term vision for Amazon.com a reality are several: aggressive, capable, well-funded competition; considerable growth challenges and execution risk; the risks of product and geographic expansion; and the need for large continuing investments to meet an expanding market opportunity. However, as we've long said, online bookselling, and online commerce in general, should prove to be a very large market, and it's likely that a number of companies will see significant benefit. We feel good about what we've done, and even more excited about what we want to do.

1997 was indeed an incredible year. We at Amazon.com are grateful to our customers for their business and trust, to each other for our hard work, and to our shareholders for their support and encouragement.

Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

2003

amazon.com®

To our shareholders:

Long-term thinking is both a requirement and an outcome of true ownership. Owners are different from tenants. I know of a couple who rented out their house, and the family who moved in nailed their Christmas tree to the hardwood floors instead of using a tree stand. Expedient, I suppose, and admittedly these were particularly bad tenants, but no owner would be so short-sighted. Similarly, many investors are effectively short-term tenants, turning their portfolios so quickly they are really just renting the stocks that they temporarily "own."

We emphasized our long-term views in our 1997 letter to shareholders, our first as a public company, because that approach really does drive making many concrete, non-abstract decisions. I'd like to discuss a few of these non-abstract decisions in the context of customer experience. At Amazon.com, we use the term customer experience broadly. It includes every customer-facing aspect of our business—from our product prices to our selection, from our website's user interface to how we package and ship items. The customer experience we create is by far the most important driver of our business.

As we design our customer experience, we do so with long-term owners in mind. We try to make all of our customer experience decisions—big and small—in that framework.

For instance, shortly after launching Amazon.com in 1995, we empowered customers to review products. While now a routine Amazon.com practice, at the time we received complaints from a few vendors, basically wondering if we understood our business: "You make money when you sell things—why would you allow negative reviews on your website?" Speaking as a focus group of one, I know I've sometimes changed my mind before making purchases on Amazon.com as a result of negative or lukewarm customer reviews. Though negative reviews cost us some sales in the short term, helping customers make better purchase decisions ultimately pays off for the company.

Another example is our Instant Order Update feature, which reminds you that you've already bought a particular item. Customers lead busy lives and cannot always remember if they've already purchased a particular item, say a DVD or CD they bought a year earlier. When we launched Instant Order Update, we were able to measure with statistical significance that the feature slightly reduced sales. Good for customers? Definitely. Good for shareowners? Yes, in the long run.

Among the most expensive customer experience improvements we're focused on are our everyday free-shipping offers and our ongoing product price reductions. Eliminating defects, improving productivity, and passing the resulting cost savings back to customers in the form of lower prices is a long-term decision. Increased volumes take time to materialize, and price reductions almost always hurt current results. In the long term, however, relentlessly driving the "price-cost structure loop" will leave us with a stronger, more valuable business. Since many of our costs, such as software engineering, are relatively fixed and many of our variable costs can also be better managed at larger scale, driving more volume through our cost structure reduces those costs as a percentage of sales. To give one small example, engineering a feature like Instant Order Update for use by 40 million customers costs nowhere near 40 times what it would cost to do the same for 1 million customers.

Our pricing strategy does not attempt to maximize margin *percentages*, but instead seeks to drive maximum value for customers and thereby create a much larger bottom line—in the long term. For example, we're targeting gross margins on our jewelry sales to be substantially lower than industry norms because we believe over time—customers figure these things out—this approach will produce more value for shareholders.

We have a strong team of hard-working, innovative folks building Amazon.com. They are focused on the customer and focused on the long term. On that time scale, the interests of shareowners and customers are aligned.

As always, I attach our 1997 letter and believe it is still worth a read. Here's to not being a tenant!

Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

P.S. Again this year, the widely-followed American Customer Satisfaction Index gave Amazon.com a score of 88—the highest customer satisfaction score ever recorded in any service industry, online or off. A representative of the ACSI was quoted as saying, "If they go any higher, they will get a nose bleed." We're working on that.

amazon.com

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Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

amazon.com.

To our shareholders:

In many ways, Amazon.com is not a normal store. We have deep selection that is unconstrained by shelf space. We turn our inventory 19 times in a year. We personalize the store for each and every customer. We trade real estate for technology (which gets cheaper and more capable every year). We display customer reviews critical of our products. You can make a purchase with a few seconds and one click. We put used products next to new ones so you can choose. We share our prime real estate— our product detail pages— with third parties, and, if they can offer better value, we let them.

One of our most exciting peculiarities is poorly understood. People see that we're determined to offer both world-leading customer experience *and* the lowest possible prices, but to some this dual goal seems paradoxical if not downright quixotic. Traditional stores face a time-tested tradeoff between offering high-touch customer experience on the one hand and the lowest possible prices on the other. How can Amazon.com be trying to do both?

The answer is that we transform much of customer experience— such as unmatched selection, extensive product information, personalized recommendations, and other new software features— into largely a fixed expense. With customer experience costs largely fixed (more like a publishing model than a retailing model), our costs as a percentage of sales can shrink rapidly as we grow our business. Moreover, customer experience costs that remain variable— such as the variable portion of fulfillment costs— improve in our model as we reduce defects. Eliminating defects improves costs and leads to better customer experience.

We believe our ability to lower prices and simultaneously drive customer experience is a big deal, and this past year offers evidence that the strategy is working.

First, we do continue to drive customer experience. The holiday season this year is one example. While delivering a record number of units to customers, we also delivered our best-ever experience. Cycle time, the amount of time taken by our fulfillment centers to process an order, improved 17% compared with last year. And our most sensitive measure of customer satisfaction, contacts per order, saw a 13% improvement.

Inside existing product categories, we've worked hard to increase selection. Electronics selection is up over 40% in the U.S. alone over the prior year, and we now offer 10 times the selection of a typical big box electronics store. Even in U.S. books, where we've been working for 8 years, we increased selection by 15%, mostly in harder-to-find and out-of-print titles. And, of course, we've added new categories. Our Apparel and Accessories store has more than 500 top clothing brands, and in its first 60 days, customers bought 153,000 shirts, 106,000 pairs of pants, and 31,000 pairs of underwear.

In this year's American Customer Satisfaction Index, the most authoritative study of customer satisfaction, Amazon.com scored an 88, the highest score ever recorded— not just online, not just in retailing— but the highest score ever recorded in any service industry. In ACSI's words:

> "Amazon.com continues to show remarkably high levels of customer satisfaction. With a score of 88 (up 5%), it is generating satisfaction at a level unheard of in the service industry.... Can customer satisfaction for Amazon climb more? The latest ACSI data suggest that it is indeed possible. Both service and the value proposition offered by Amazon have increased at a steep rate."

Second, while focused on customer experience, we've also been lowering price substantially. We've been doing so broadly across product categories, from books to electronics, and we've eliminated shipping fees with our 365 day-per-year Free Super Saver Shipping on orders over $25. We've been taking similar actions in every country in which we do business.

Our pricing objective is not to discount a small number of products for a limited period of time, but to offer low prices everyday and apply them broadly across our entire product range. To illustrate this point, we

recently did a price comparison versus a major well-known chain of book superstores. We did not hand pick a choice group of books against which we wanted to compare. Instead, we used their published list of their 100 bestsellers for 2002. It was a good representation of the kinds of books people buy most, consisting of 45 hardcover titles and 55 paperbacks across many different categories, including Literature, Romance, Mystery and Thrillers, Nonfiction, Children's, Self-Help, and so on.

We priced all 100 titles by visiting their superstores in both Seattle and New York City. It took us six hours in four of their different superstores to find all 100 books on their list. When we added up everything we spent, we discovered that:

- At their stores, these 100 bestselling books cost $1,561. At Amazon.com, the same books cost $1,195 for a total savings of $366, or 23%.
- For 72 of the 100 books, our price was cheaper. On 25 of the books, our price was the same. On 3 of the 100, their prices were better (we subsequently reduced our prices on these three books).
- In these physical-world superstores, only 15 of their 100 titles were discounted—they were selling the other 85 at full list price. At Amazon.com, 76 of the 100 were discounted and 24 were sold at list price.

To be sure, you may find reasons to shop in the physical world—for instance, if you need something immediately—but, if you do so, you'll be paying a premium. If you want to save money and time, you'll do better by shopping at Amazon.com.

Third, our determination to deliver low price *and* customer experience is generating financial results. Net sales this year increased 26% to a record $3.9 billion, and unit sales grew at an even faster 34%. Free cash flow—our most important financial measure—reached $135 million, a $305 million improvement over the prior year.[1]

In short, what's good for customers is good for shareholders.

Once again this year, I attach a copy of our original 1997 letter and encourage current and prospective shareowners to take a look at it. Given how much we've grown and how much the Internet has evolved, it's notable that the fundamentals of how we do business remain the same.

As always, we at Amazon.com are grateful to our customers for their business and trust, to each other for our hard work, and to our shareholders for their support and encouragement.

Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

[1] Free cash flow for 2002 of $135 million is net cash provided by operating activities of $174 million less purchases of fixed assets of $39 million. Free cash flow for 2001 of negative $170 million is net cash used in operating activities of $120 million less purchases of fixed assets of $50 million.

amazon.com

1997 LETTER TO SHAREHOLDERS
(Reprinted from the 1997 Annual Report)

To our shareholders:

Amazon.com passed many milestones in 1997: by year-end, we had served more than 1.5 million customers, yielding 838% revenue growth to $147.8 million, and extended our market leadership despite aggressive competitive entry.

But this is Day 1 for the Internet and, if we execute well, for Amazon.com. Today, online commerce saves customers money and precious time. Tomorrow, through personalization, online commerce will accelerate the very process of discovery. Amazon.com uses the Internet to create real value for its customers and, by doing so, hopes to create an enduring franchise, even in established and large markets.

We have a window of opportunity as larger players marshal the resources to pursue the online opportunity and as customers, new to purchasing online, are receptive to forming new relationships. The competitive landscape has continued to evolve at a fast pace. Many large players have moved online with credible offerings and have devoted substantial energy and resources to building awareness, traffic, and sales. Our goal is to move quickly to solidify and extend our current position while we begin to pursue the online commerce opportunities in other areas. We see substantial opportunity in the large markets we are targeting. This strategy is not without risk: it requires serious investment and crisp execution against established franchise leaders.

It's All About the Long Term

We believe that a fundamental measure of our success will be the shareholder value we create over the *long term*. This value will be a direct result of our ability to extend and solidify our current market leadership position. The stronger our market leadership, the more powerful our economic model. Market leadership can translate directly to higher revenue, higher profitability, greater capital velocity, and correspondingly stronger returns on invested capital.

Our decisions have consistently reflected this focus. We first measure ourselves in terms of the metrics most indicative of our market leadership: customer and revenue growth, the degree to which our customers continue to purchase from us on a repeat basis, and the strength of our brand. We have invested and will continue to invest aggressively to expand and leverage our customer base, brand, and infrastructure as we move to establish an enduring franchise.

Because of our emphasis on the long term, we may make decisions and weigh tradeoffs differently than some companies. Accordingly, we want to share with you our fundamental management and decision-making approach so that you, our shareholders, may confirm that it is consistent with your investment philosophy:

- We will continue to focus relentlessly on our customers.
- We will continue to make investment decisions in light of long-term market leadership considerations rather than short-term profitability considerations or short-term Wall Street reactions.
- We will continue to measure our programs and the effectiveness of our investments analytically, to jettison those that do not provide acceptable returns, and to step up our investment in those that work best. We will continue to learn from both our successes and our failures.
- We will make bold rather than timid investment decisions where we see a sufficient probability of gaining market leadership advantages. Some of these investments will pay off, others will not, and we will have learned another valuable lesson in either case.

- When forced to choose between optimizing the appearance of our GAAP accounting and maximizing the present value of future cash flows, we'll take the cash flows.

- We will share our strategic thought processes with you when we make bold choices (to the extent competitive pressures allow), so that you may evaluate for yourselves whether we are making rational long-term leadership investments.

- We will work hard to spend wisely and maintain our lean culture. We understand the importance of continually reinforcing a cost-conscious culture, particularly in a business incurring net losses.

- We will balance our focus on growth with emphasis on long-term profitability and capital management. At this stage, we choose to prioritize growth because we believe that scale is central to achieving the potential of our business model.

- We will continue to focus on hiring and retaining versatile and talented employees, and continue to weight their compensation to stock options rather than cash. We know our success will be largely affected by our ability to attract and retain a motivated employee base, each of whom must think like, and therefore must actually be, an owner.

We aren't so bold as to claim that the above is the "right" investment philosophy, but it's ours, and we would be remiss if we weren't clear in the approach we have taken and will continue to take.

With this foundation, we would like to turn to a review of our business focus, our progress in 1997, and our outlook for the future.

Obsess Over Customers

From the beginning, our focus has been on offering our customers compelling value. We realized that the Web was, and still is, the World Wide Wait. Therefore, we set out to offer customers something they simply could not get any other way, and began serving them with books. We brought them much more selection than was possible in a physical store (our store would now occupy 6 football fields), and presented it in a useful, easy-to-search, and easy-to-browse format in a store open 365 days a year, 24 hours a day. We maintained a dogged focus on improving the shopping experience, and in 1997 substantially enhanced our store. We now offer customers gift certificates, 1-Click[SM] shopping, and vastly more reviews, content, browsing options, and recommendation features. We dramatically lowered prices, further increasing customer value. Word of mouth remains the most powerful customer acquisition tool we have, and we are grateful for the trust our customers have placed in us. Repeat purchases and word of mouth have combined to make Amazon.com the market leader in online bookselling.

By many measures, Amazon.com came a long way in 1997:

- Sales grew from $15.7 million in 1996 to $147.8 million—an 838% increase.

- Cumulative customer accounts grew from 180,000 to 1,510,000—a 738% increase.

- The percentage of orders from repeat customers grew from over 46% in the fourth quarter of 1996 to over 58% in the same period in 1997.

- In terms of audience reach, per Media Metrix, our Web site went from a rank of 90th to within the top 20.

- We established long-term relationships with many important strategic partners, including America Online, Yahoo!, Excite, Netscape, GeoCities, AltaVista, @Home, and Prodigy.

Infrastructure

During 1997, we worked hard to expand our business infrastructure to support these greatly increased traffic, sales, and service levels:

- Amazon.com's employee base grew from 158 to 614, and we significantly strengthened our management team.
- Distribution center capacity grew from 50,000 to 285,000 square feet, including a 70% expansion of our Seattle facilities and the launch of our second distribution center in Delaware in November.
- Inventories rose to over 200,000 titles at year-end, enabling us to improve availability for our customers.
- Our cash and investment balances at year-end were $125 million, thanks to our initial public offering in May 1997 and our $75 million loan, affording us substantial strategic flexibility.

Our Employees

The past year's success is the product of a talented, smart, hard-working group, and I take great pride in being a part of this team. Setting the bar high in our approach to hiring has been, and will continue to be, the single most important element of Amazon.com's success.

It's not easy to work here (when I interview people I tell them, "You can work long, hard, or smart, but at Amazon.com you can't choose two out of three"), but we are working to build something important, something that matters to our customers, something that we can all tell our grandchildren about. Such things aren't meant to be easy. We are incredibly fortunate to have this group of dedicated employees whose sacrifices and passion build Amazon.com.

Goals for 1998

We are still in the early stages of learning how to bring new value to our customers through Internet commerce and merchandising. Our goal remains to continue to solidify and extend our brand and customer base. This requires sustained investment in systems and infrastructure to support outstanding customer convenience, selection, and service while we grow. We are planning to add music to our product offering, and over time we believe that other products may be prudent investments. We also believe there are significant opportunities to better serve our customers overseas, such as reducing delivery times and better tailoring the customer experience. To be certain, a big part of the challenge for us will lie not in finding new ways to expand our business, but in prioritizing our investments.

We now know vastly more about online commerce than when Amazon.com was founded, but we still have so much to learn. Though we are optimistic, we must remain vigilant and maintain a sense of urgency. The challenges and hurdles we will face to make our long-term vision for Amazon.com a reality are several: aggressive, capable, well-funded competition; considerable growth challenges and execution risk; the risks of product and geographic expansion; and the need for large continuing investments to meet an expanding market opportunity. However, as we've long said, online bookselling, and online commerce in general, should prove to be a very large market, and it's likely that a number of companies will see significant benefit. We feel good about what we've done, and even more excited about what we want to do.

1997 was indeed an incredible year. We at Amazon.com are grateful to our customers for their business and trust, to each other for our hard work, and to our shareholders for their support and encouragement.

Jeffrey P. Bezos
Founder and Chief Executive Officer
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amazon.com

To our shareholders:

In July of last year, Amazon.com reached an important way station. After four years of single-minded focus on growth, and then just under two years spent almost exclusively on lowering costs, we reached a point where we could afford to balance growth and cost improvement, dedicating resources and staffed projects to both. Our major price reduction in July, moving to discount books over $20 by 30% off list, marked this change.

This balance began to pay off in the fourth quarter, when we both significantly exceeded our own goals on the bottom line and simultaneously reaccelerated growth in our business. We lowered prices again in January when we offered a new class of shipping that is free (year-round) on orders over $99. Focus on cost improvement makes it possible for us to afford to lower prices, which drives growth. Growth spreads fixed costs across more sales, reducing cost per unit, which makes possible more price reductions. Customers like this, and it's good for shareholders. Please expect us to repeat this loop.

As I mentioned, we exceeded our goals for the fourth quarter with pro forma operating profit of $59 million and pro forma net profit of $35 million. Thousands of Amazon.com employees around the world worked hard to achieve that goal; they are, and should be, proud of the accomplishment. More highlights from a notable year:

- Sales grew 13% from $2.76 billion in 2000 to $3.12 billion in 2001; we achieved our first billion-dollar quarter on reaccelerated sales and 23% year-over-year unit growth in Q4.

- We served 25 million customer accounts in 2001, compared to 20 million in 2000 and 14 million in 1999.

- International sales grew 74% in 2001, and more than one-quarter of sales came from outside the U.S. The U.K. and Germany, our largest international markets, had a combined pro forma operating profit for the first time in Q4. Open only a year, Japan grew to a $100 million annual run rate in Q4.

- Hundreds of thousands of small businesses and individuals made money by selling new and used products to our customers directly from our highly trafficked product detail pages. These Marketplace orders grew to 15% of U.S. orders in Q4, far surpassing our expectations when we launched Marketplace in November 2000.

- Inventory turns increased from 12 in 2000 to 16 in 2001.

- Most important, we stayed relentlessly focused on the customer, as reflected in a chart-topping score of 84 for the second year in a row on the widely followed American Customer Satisfaction Index conducted by the University of Michigan. We are told this is the highest score ever recorded--not just for any retailer, but for any service company.

Obsess over customers: our commitment continues

Until July, Amazon.com had been primarily built on two pillars of customer experience: selection and convenience. In July, as I already discussed, we added a third customer experience pillar: relentlessly lowering prices. You should know that our commitment to the first two pillars remains as strong as ever.

We now have more than 45,000 items in our electronics store (about seven times the selection you're likely to find in a big-box electronics store), we've tripled our kitchen selection (you'll find all the best brands), we've launched computer and magazine subscriptions stores, and we've added selection with strategic partners such as Target and Circuit City.

We've improved convenience with features like Instant Order Update, which warns you if you're about to buy the same item twice (people are busy--they forget that they've already bought it!).

We've dramatically improved customer self-service capabilities. Customers can now easily find, cancel, or modify their own orders. To find an order, just make sure you are signed in and recognized by the site, and do a regular search on any product in your order. When you get to that product's detail page, a link to your order will be at the top of the page.

We built a new feature called Look Inside the Book. Customers can view large high-resolution images of not only the front cover of a book, but also the back cover, index, table of contents, and a reasonable sample of the inside pages. They can Look Inside the Book before making a buying decision. It's available on over 200,000 of our millions of titles (as a point of comparison, a typical book superstore carries about 100,000 titles).

As my last example, I'll just point out that one of the most important things we've done to improve convenience and experience for customers also happens to be a huge driver of variable cost productivity: eliminating mistakes and errors at their root. Every year that's gone by since Amazon.com's founding, we've done a better and better job of eliminating errors, and this past year was our best ever. Eliminating the root causes of errors saves us money and saves customers time.

Our consumer franchise is our most valuable asset, and we will nourish it with innovation and hard work.

An investment framework

In every annual letter (including this one), we attach a copy of our original 1997 letter to shareholders to help investors decide if Amazon.com is the right kind of investment for them, and to help us determine if we have remained true to our original goals and values. I think we have.

In that 1997 letter, we wrote, "When forced to choose between optimizing the appearance of our GAAP accounting and maximizing the present value of future cash flows, we'll take the cash flows."

Why focus on cash flows? Because a share of stock is a share of a company's future cash flows, and, as a result, cash flows more than any other single variable seem to do the best job of explaining a company's stock price over the long term.

If you could know for certain just two things--a company's future cash flows and its future number of shares outstanding--you would have an excellent idea of the fair value of a share of that company's stock today. (You'd also need to know appropriate discount rates, but if you knew the future cash flows *for certain*, it would also be reasonably easy to know which discount rates to use.) It's not easy, but you can make an informed forecast of future cash flows by examining a company's performance in the past and by looking at factors such as the leverage points and scalability in that company's model. Estimating the number of shares outstanding in the future requires you to forecast items such as option grants to employees or other potential capital transactions. Ultimately, your determination of cash flow per share will be a strong indicator of the price you might be willing to pay for a share of ownership in any company.

Since we expect to keep our fixed costs largely fixed, even at significantly higher unit volumes, we believe Amazon.com is poised over the coming years to generate meaningful, sustained, free cash flow. Our goal for 2002 reflects just that. As we said in January when we reported our fourth quarter results, we plan this year to generate positive operating cash flow, leading to free cash flow (the difference between the two is up to $75 million of planned capital expenditures). Our trailing twelve-month pro forma net income should, roughly but not perfectly, trend like trailing twelve-month cash flow.

Limiting share count means more cash flow per share and more long-term value for owners. Our current objective is to target net dilution from employee stock options (grants net of cancellations) to an average of 3% per year over the next five years, although in any given year it might be higher or lower.

Relentless commitment to long-term shareholder value

As I've discussed many times before, we are firm believers that the long-term interests of shareholders are tightly linked to the interests of our customers: if we do our jobs right, today's customers will buy more tomorrow, we'll add more customers in the process, and it will all add up to more cash flow and more long-term value for our shareholders. To that end, we are committed to extending our leadership in e-commerce in a way that benefits customers and therefore, inherently, investors--you can't do one without the other.

As we kick off 2002, I am happy to report that I am as enthusiastic as ever about this business. There is more innovation ahead of us than behind us, we are close to demonstrating the operating leverage of our business model, and I get to work with this amazing team of Amazonians all over the world. I am lucky and grateful. We thank you, our owners, for your support, your encouragement, and for joining us on this adventure. If you're a customer, we thank you again!

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Founder and Chief
Executive Officer
Amazon.com, Inc.

2000

amazon.com.

To our shareholders:

Ouch. It's been a brutal year for many in the capital markets and certainly for Amazon.com shareholders. As of this writing, our shares are down more than 80% from when I wrote you last year. Nevertheless, by almost any measure, Amazon.com the company is in a stronger position now than at any time in its past.

- We served 20 million customers in 2000, up from 14 million in 1999.
- Sales grew to $2.76 billion in 2000 from $1.64 billion in 1999.
- Pro forma operating loss shrank to 6% of sales in Q4 2000, from 26% of sales in Q4 1999.
- Pro forma operating loss in the U.S. shrank to 2% of sales in Q4 2000, from 24% of sales in Q4 1999.
- Average spend per customer in 2000 was $134, up 19%.
- Gross profit grew to $656 million in 2000, from $291 million in 1999, up 125%.
- Almost 36% of Q4 2000 U.S. customers purchased from one of our "non-BMV" stores such as electronics, tools, and kitchen.
- International sales grew to $381 million in 2000, from $168 million in 1999.
- We helped our partner Toysrus.com sell more than $125 million of toys and video games in Q4 2000.
- We ended 2000 with cash and marketable securities of $1.1 billion, up from $706 million at the end of 1999, thanks to our early 2000 euroconvert financing.
- And, most importantly, our heads-down focus on the customer was reflected in a score of 84 on the American Customer Satisfaction Index. We are told this is the highest score ever recorded for a service company in any industry.

So, if the company is better positioned today than it was a year ago, why is the stock price so much lower than it was a year ago? As the famed investor Benjamin Graham said, "In the short term, the stock market is a voting machine; in the long term, it's a weighing machine." Clearly there was a lot of voting going on in the boom year of '99—and much less weighing. We're a company that wants to be weighed, and over time, we will be—over the long term, all companies are. In the meantime, we have our heads down working to build a heavier and heavier company.

Many of you have heard me talk about the "bold bets" that we as a company have made and will continue to make—these bold bets have included everything from our investment in digital and wireless technologies, to our decision to invest in smaller e-commerce companies, including living.com and Pets.com, both of which shut down operations in 2000. We were significant shareholders in both and lost a significant amount of money on both.

We made these investments because we knew we wouldn't ourselves be entering these particular categories any time soon, and we believed passionately in the "land rush" metaphor for the Internet. Indeed, that metaphor was an extraordinarily useful decision aid for several years starting in 1994, but we now believe its usefulness largely faded away over the last couple of years. In retrospect, we significantly underestimated how much time would be available to enter these categories and underestimated how difficult it would be for single-category e-commerce companies to achieve the scale necessary to succeed.

Online selling (relative to traditional retailing) is a scale business characterized by high fixed costs and relatively low variable costs. This makes it difficult to be a medium-sized e-commerce company. With a long

enough financing runway, Pets.com and living.com may have been able to acquire enough customers to achieve the needed scale. But when the capital markets closed the door on financing Internet companies, these companies simply had no choice but to close their doors. As painful as that was, the alternative—investing more of our own capital in these companies to keep them afloat—would have been an even bigger mistake.

Future: Real Estate Doesn't Obey Moore's Law.

Let's move to the future. Why should you be optimistic about the future of e-commerce and the future of Amazon.com?

Industry growth and new customer adoption will be driven over the coming years by relentless improvements in the customer experience of online shopping. These improvements in customer experience will be driven by innovations made possible by dramatic increases in available bandwidth, disk space, and processing power, all of which are getting cheap fast.

Price performance of processing power is doubling about every 18 months (Moore's Law), price performance of disk space is doubling about every 12 months, and price performance of bandwidth is doubling about every 9 months. Given that last doubling rate, Amazon.com will be able to use 60 times as much bandwidth per customer 5 years from now while holding our bandwidth cost per customer constant. Similarly, price performance improvements in disk space and processing power will allow us to, for example, do ever more and better real-time personalization of our Web site.

In the physical world, retailers will continue to use technology to reduce costs, but not to transform the customer experience. We too will use technology to reduce costs, but the bigger effect will be using technology to drive adoption and revenue. We still believe that some 15% of retail commerce may ultimately move online.

While there are no foregone conclusions, and we still have much to prove, Amazon.com today is a unique asset. We have the brand, the customer relationships, the technology, the fulfillment infrastructure, the financial strength, the people, and the determination to extend our leadership in this infant industry and to build an important and lasting company. And we will do so by keeping the customer first.

The year 2001 will be an important one in our development. Like 2000, this year will be a year of focus and execution. As a first step, we've set the goal of achieving a pro forma operating profit in the fourth quarter. While we have a tremendous amount of work to do and there can be no guarantees, we have a plan to get there, it's our top priority, and every person in this company is committed to helping with that goal. I look forward to reporting to you our progress in the coming year.

As I usually do, I've appended our 1997 letter, our first letter to shareholders. It gets more interesting every year that goes by, in part because so little has changed. I especially draw your attention to the section entitled "It's All About the Long Term."

We at Amazon.com remain grateful to our customers for their business and trust, to each other for our hard work, and to our shareholders for their support and encouragement. Many, many thanks.

Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

amazon.com

1997 LETTER TO SHAREHOLDERS

(Reprinted from the 1997 Annual Report)

To our shareholders:

Amazon.com passed many milestones in 1997: by year-end, we had served more than 1.5 million customers, yielding 838% revenue growth to $147.8 million, and extended our market leadership despite aggressive competitive entry.

But this is Day 1 for the Internet and, if we execute well, for Amazon.com. Today, online commerce saves customers money and precious time. Tomorrow, through personalization, online commerce will accelerate the very process of discovery. Amazon.com uses the Internet to create real value for its customers and, by doing so, hopes to create an enduring franchise, even in established and large markets.

We have a window of opportunity as larger players marshal the resources to pursue the online opportunity and as customers, new to purchasing online, are receptive to forming new relationships. The competitive landscape has continued to evolve at a fast pace. Many large players have moved online with credible offerings and have devoted substantial energy and resources to building awareness, traffic, and sales. Our goal is to move quickly to solidify and extend our current position while we begin to pursue the online commerce opportunities in other areas. We see substantial opportunity in the large markets we are targeting. This strategy is not without risk: it requires serious investment and crisp execution against established franchise leaders.

It's All About the Long Term

We believe that a fundamental measure of our success will be the shareholder value we create over the long term. This value will be a direct result of our ability to extend and solidify our current market leadership position. The stronger our market leadership, the more powerful our economic model. Market leadership can translate directly to higher revenue, higher profitability, greater capital velocity, and correspondingly stronger returns on invested capital.

Our decisions have consistently reflected this focus. We first measure ourselves in terms of the metrics most indicative of our market leadership: customer and revenue growth, the degree to which our customers continue to purchase from us on a repeat basis, and the strength of our brand. We have invested and will continue to invest aggressively to expand and leverage our customer base, brand, and infrastructure as we move to establish an enduring franchise.

Because of our emphasis on the long term, we may make decisions and weigh tradeoffs differently than some companies. Accordingly, we want to share with you our fundamental management and decision-making approach so that you, our shareholders, may confirm that it is consistent with your investment philosophy:

- We will continue to focus relentlessly on our customers.
- We will continue to make investment decisions in light of long-term market leadership considerations rather than short-term profitability considerations or short-term Wall Street reactions.
- We will continue to measure our programs and the effectiveness of our investments analytically, to jettison those that do not provide acceptable returns, and to step up our investment in those that work best. We will continue to learn from both our successes and our failures.
- We will make bold rather than timid investment decisions where we see a sufficient probability of gaining market leadership advantages. Some of these investments will pay off, others will not, and we will have learned another valuable lesson in either case.

- When forced to choose between optimizing the appearance of our GAAP accounting and maximizing the present value of future cash flows, we'll take the cash flows.
- We will share our strategic thought processes with you when we make bold choices (to the extent competitive pressures allow), so that you may evaluate for yourselves whether we are making rational long-term leadership investments.
- We will work hard to spend wisely and maintain our lean culture. We understand the importance of continually reinforcing a cost-conscious culture, particularly in a business incurring net losses.
- We will balance our focus on growth with emphasis on long-term profitability and capital management. At this stage, we choose to prioritize growth because we believe that scale is central to achieving the potential of our business model.
- We will continue to focus on hiring and retaining versatile and talented employees, and continue to weight their compensation to stock options rather than cash. We know our success will be largely affected by our ability to attract and retain a motivated employee base, each of whom must think like, and therefore must actually be, an owner.

We aren't so bold as to claim that the above is the "right" investment philosophy, but it's ours, and we would be remiss if we weren't clear in the approach we have taken and will continue to take.

With this foundation, we would like to turn to a review of our business focus, our progress in 1997, and our outlook for the future.

Obsess Over Customers

From the beginning, our focus has been on offering our customers compelling value. We realized that the Web was, and still is, the World Wide Wait. Therefore, we set out to offer customers something they simply could not get any other way, and began serving them with books. We brought them much more selection than was possible in a physical store (our store would now occupy 6 football fields), and presented it in a useful, easy-to-search, and easy-to-browse format in a store open 365 days a year, 24 hours a day. We maintained a dogged focus on improving the shopping experience, and in 1997 substantially enhanced our store. We now offer customers gift certificates, 1-Click[SM] shopping, and vastly more reviews, content, browsing options, and recommendation features. We dramatically lowered prices, further increasing customer value. Word of mouth remains the most powerful customer acquisition tool we have, and we are grateful for the trust our customers have placed in us. Repeat purchases and word of mouth have combined to make Amazon.com the market leader in online bookselling.

By many measures, Amazon.com came a long way in 1997:

- Sales grew from $15.7 million in 1996 to $147.8 million—an 838% increase.
- Cumulative customer accounts grew from 180,000 to 1,510,000—a 738% increase.
- The percentage of orders from repeat customers grew from over 46% in the fourth quarter of 1996 to over 58% in the same period in 1997.
- In terms of audience reach, per Media Metrix, our Web site went from a rank of 90th to within the top 20.
- We established long-term relationships with many important strategic partners, including America Online, Yahoo!, Excite, Netscape, GeoCities, AltaVista, @Home, and Prodigy.

Infrastructure

During 1997, we worked hard to expand our business infrastructure to support these greatly increased traffic, sales, and service levels:

- Amazon.com's employee base grew from 158 to 614, and we significantly strengthened our management team.

- Distribution center capacity grew from 50,000 to 285,000 square feet, including a 70% expansion of our Seattle facilities and the launch of our second distribution center in Delaware in November.
- Inventories rose to over 200,000 titles at year-end, enabling us to improve availability for our customers.
- Our cash and investment balances at year-end were $125 million, thanks to our initial public offering in May 1997 and our $75 million loan, affording us substantial strategic flexibility.

Our Employees

The past year's success is the product of a talented, smart, hard-working group, and I take great pride in being a part of this team. Setting the bar high in our approach to hiring has been, and will continue to be, the single most important element of Amazon.com's success.

It's not easy to work here (when I interview people I tell them, "You can work long, hard, or smart, but at Amazon.com you can't choose two out of three"), but we are working to build something important, something that matters to our customers, something that we can all tell our grandchildren about. Such things aren't meant to be easy. We are incredibly fortunate to have this group of dedicated employees whose sacrifices and passion build Amazon.com.

Goals for 1998

We are still in the early stages of learning how to bring new value to our customers through Internet commerce and merchandising. Our goal remains to continue to solidify and extend our brand and customer base. This requires sustained investment in systems and infrastructure to support outstanding customer convenience, selection, and service while we grow. We are planning to add music to our product offering, and over time we believe that other products may be prudent investments. We also believe there are significant opportunities to better serve our customers overseas, such as reducing delivery times and better tailoring the customer experience. To be certain, a big part of the challenge for us will lie not in finding new ways to expand our business, but in prioritizing our investments.

We now know vastly more about online commerce than when Amazon.com was founded, but we still have so much to learn. Though we are optimistic, we must remain vigilant and maintain a sense of urgency. The challenges and hurdles we will face to make our long-term vision for Amazon.com a reality are several: aggressive, capable, well-funded competition; considerable growth challenges and execution risk; the risks of product and geographic expansion; and the need for large continuing investments to meet an expanding market opportunity. However, as we've long said, online bookselling, and online commerce in general, should prove to be a very large market, and it's likely that a number of companies will see significant benefit. We feel good about what we've done, and even more excited about what we want to do.

1997 was indeed an incredible year. We at Amazon.com are grateful to our customers for their business and trust, to each other for our hard work, and to our shareholders for their support and encouragement.

Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

1999

amazon.com®

To our shareholders:

The first 4½ years of our journey have yielded some amazing results: we've now served over 17 million customers in over 150 countries and built the leading global e-commerce brand and platform.

In the coming years we expect to benefit from the continued adoption of online commerce around the world as millions of new consumers connect to the Internet for the first time. As the online shopping experience continues to improve, consumer trust and confidence will increase, driving further adoption. And, if we at Amazon.com do our job right, we can be uniquely positioned to serve these new customers best and benefit as a result.

A Recap of 1999

During 1999, our relentless focus on customers worked:

- Sales grew from $610 million in 1998 to $1.64 billion – a 169 percent increase.
- We added 10.7 million new customers, increasing cumulative customer accounts from 6.2 million to 16.9 million.
- The percentage of orders placed by repeat customers grew from over 64 percent in the fourth quarter of 1998 to greater than 73 percent in the same period in 1999.
- Customers around the world are now choosing Amazon.com for a wide array of products. Only two years ago, Amazon.com's U.S. Books business represented 100 percent of our sales. Today, despite strong growth in U.S. Books, other areas account for more than half our sales. Major 1999 initiatives included Auctions, zShops, Toys, Consumer Electronics, Home Improvement, Software, Video Games, Payments and our wireless initiative, Amazon Anywhere.
- We've continued to be recognized as best-of-breed not only in our more established areas such as books, but in our newer stores as well. Just to focus on one area, Amazon Toys has received multiple awards, including being rated the best online toy store in an MSNBC survey, a ranking as the No. 1 on-line toy store by Forrester Research, and the top e-Rating from Consumer Reports in the toys category, in each case beating out a number of longer-established players.
- Sales outside of the US accounted for 22 percent of our business, totaling $358 million. In the U.K. and Germany, we added Music, Auctions and zShops. In fact, Amazon.co.uk, Amazon.de, and Amazon.com are now the #1, #2, and #3 most popular online retail domains in Europe.
- We grew worldwide distribution capacity from roughly 300,000 square feet to over 5 million square feet in less than 12 months.

- In part because of this infrastructure, we were able to grow revenues 90 percent in just three months, while shipping well over 99 percent of our holiday orders in time for the holidays. As far as we can determine, no other company has ever grown 90 percent in three months on a sales base of over $1 billion.

I'm incredibly proud of everyone at Amazon.com for their tireless efforts to deliver what has become the standard-setting, Amazon.com-class customer experience while simultaneously handling such extraordinary growth rates. If any of you shareholders would like to thank this incredible worldwide team of Amazonians, please feel free to send an email to jeff@amazon.com. With help from my astounding office staff, I'll compile them and send them to the company. I know it would be appreciated. (As a side benefit I'll get to see if anyone reads these letters!)

In 1999, we continued to benefit from a business model that is inherently capital efficient. We don't need to build physical stores or stock those stores with inventory, and our centralized distribution model has allowed us to build a business with over $2 billion in annualized sales but requiring just $220 million in inventory and $318 million in fixed assets. Over the last five years, we've cumulatively used just $62 million in operating cash.

What Do You Own?

At a recent event at the Stanford University campus, a young woman came to the microphone and asked me a great question: "I have 100 shares of Amazon.com. What do I own?"

I was surprised I hadn't heard it before, at least not so simply put. What do you own? You own a piece of the leading e-commerce platform.

The Amazon.com platform is comprised of brand, customers, technology, distribution capability, deep e-commerce expertise, and a great team with a passion for innovation and a passion for serving customers well. We begin the year 2000 with 17 million customers, a world-wide reputation for customer focus, the best e-commerce software systems, and purpose-built distribution and customer service infrastructure. We believe we have reached a "tipping point," where this platform allows us to launch new e-commerce businesses faster, with a higher quality of customer experience, a lower incremental cost, a higher chance of success, and a faster path to scale and profitability than any other company.

Our vision is to use this platform to build Earth's most customer-centric company, a place where customers can come to find and discover anything and everything they might want to buy online. We won't do so alone, but together with what will be thousands of partners of all sizes. We'll listen to customers, invent on their behalf, and personalize the store for each of them, all while working hard to continue to earn their trust. As is probably clear, this platform affords an unusually large scale opportunity, one that should

prove very valuable for both customers and shareholders if we can make the most of it. Despite the many risks and complexities, we are deeply committed to doing so.

Goals for 2000

In the year 2000, Amazon.com has six major goals: growth in both the number of our customers and the strength of the relationship we have with each of them; continued rapid expansion of the products and services we offer; driving operational excellence in all areas of the company; international expansion; expanding our partnership programs; and last, importantly, driving toward profitability in each and every business we are in. I'll spend a moment on each goal.

Growing and strengthening customer relationships — We will continue to invest heavily in introductions to new customers. Though it's sometimes hard to imagine with all that has happened in the last five years, this remains Day 1 for e-commerce, and these are the early days of category formation where many customers are forming relationships for the first time. We must work hard to grow the number of customers who shop with us, the number of products they purchase, the frequency with which they shop, and the level of satisfaction they have when they do so.

Product and service expansion — We are working to build a place where customers can find and discover anything they want to buy, anytime, anywhere. Each new product and service we offer makes us more relevant to a wider group of customers and can increase the frequency with which they visit our store. So, as we expand our offering, we create a virtuous cycle for the whole business. The more frequently customers visit our store, the less time, energy, and marketing investment is required to get them to come back again. In sight, in mind.

Further, as we expand, each new store has a dedicated team working to make it best-of-breed in its category; thus each new store is also a new opportunity to demonstrate to customers our focus on them. Finally, each new product or service further leverages our investments in distribution, customer service, technology, and brand, and can yield increased leverage on our bottom line.

Operational excellence — To us, operational excellence implies two things: delivering continuous improvement in customer experience and driving productivity, margin, efficiency, and asset velocity across all our businesses.

Often, the best way to drive one of these is to deliver the other. For instance, more efficient distribution yields faster delivery times, which in turn lowers contacts per order and customer service costs. These, in turn, improve customer experience and build brand, which in turn decreases customer acquisition and retention costs.

Our whole company is highly focused on driving operational excellence in each area of our business in 2000. Being world class in both customer experience and operations will allow us to grow faster and deliver even higher service levels.

International expansion — We think that consumers outside the U.S. are even more under-served by retail than those within it, and, with our platform in place, Amazon.com is well positioned to be a leading global retailer. We already have significant brand, sales and customer presence around the world, as we've been shipping into over 150 countries for almost five years. I'm pleased to report that our stores in the UK and Germany are off to a strong start – they are already in the top 10 Web properties and the # 1 e-commerce site in each of their respective countries. Our customers and shareholders around the world can look forward to further geographic expansion from this base during the coming year.

Expanding our partnership program — Through our platform, we are able to bring tremendous value to our partners, such as drugstore.com. In fact, our experience so far suggests that Amazon.com may easily be the most efficient, effective means for our partners to build their businesses. In many areas, partnering is the best way for us to rapidly expand our store in a customer-focused, cost-effective manner. One point worth emphasizing: the quality of customer experience a partner delivers is the single most important criteria in our selection process – we simply won't build a partnership with any company that does not share our passion for serving customers.

We love these kinds of partnerships because they please customers, please our partners, and are financially attractive, pleasing our shareholders – you and us.

Drive toward profitability in each business we are in — Each of the previous goals I've outlined contribute to our long-standing objective of building the best, most profitable, highest return on capital, long-term franchise. So in a way, driving profitability is the foundation underlying all of these goals. In the coming year, we expect to deliver substantial margin improvement and cost leverage as we drive continuous improvement in our partnerships with suppliers, in our own productivity and efficiency, in our management of fixed and working capital, and our expertise in managing product mix and price.

Each successive product and service we launch this year should build on our platform, so our investment curve can be less steep and the time to profitability for each business should, in general, continue to shorten.

It's All About the Long Term

In our 1997 letter to shareholders (our first), we detailed our long-term investment approach. Because we continue to add many new shareholders, we've appended that letter immediately after this year's. I invite you to please read the section entitled *It's All About the Long Term*, as it is the best way I know to help make sure we're the kind of company you want to be invested in. As we wrote there, we don't claim it's the right philosophy, we just claim it's ours!

In closing, consider this most important point: the current online shopping experience is the worst it will ever be. It's good enough today to attract 17 million customers, but it will get so much better. Increased bandwidth will result in faster page views and richer content. Further improvements will lead to "always-on access" (which I expect will be a strong boost to online shopping at home, as opposed to the office) and we'll see significant growth in non-PC devices and wireless access. Moreover, it's great to be participating in what is a multi-trillion dollar global market, in which we are so very, very tiny. We are doubly-blessed. We have a market-size unconstrained opportunity in an area where the underlying foundational technology we employ improves every day. That is not normal.

As always, we at Amazon.com remain grateful to our customers for their business and trust, to each other for our hard work, and to our shareholders for their support and encouragement. Many, many thanks.

Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

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(Reprinted from the 1997 Annual Report)

To our shareholders:

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But this is Day 1 for the Internet and, if we execute well, for Amazon.com. Today, online commerce saves customers money and precious time. Tomorrow, through personalization, online commerce will accelerate the very process of discovery. Amazon.com uses the Internet to create real value for its customers and, by doing so, hopes to create an enduring franchise, even in established and large markets.

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We believe that a fundamental measure of our success will be the shareholder value we create over the *long term*. This value will be a direct result of our ability to extend and solidify our current market leadership position. The stronger our market leadership, the more powerful our economic model. Market leadership can translate directly to higher revenue, higher profitability, greater capital velocity, and correspondingly stronger returns on invested capital.

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Because of our emphasis on the long term, we may make decisions and weigh tradeoffs differently than some companies. Accordingly, we want to share with you our fundamental management and decision-making approach so that you, our shareholders, may confirm that it is consistent with your investment philosophy:

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- We will share our strategic thought processes with you when we make bold choices (to the extent competitive pressures allow), so that you may evaluate for yourselves whether we are making rational long-term leadership investments.

- We will work hard to spend wisely and maintain our lean culture. We understand the importance of continually reinforcing a cost-conscious culture, particularly in a business incurring net losses.

- We will balance our focus on growth with emphasis on long-term profitability and capital management. At this stage, we choose to prioritize growth because we believe that scale is central to achieving the potential of our business model.

- We will continue to focus on hiring and retaining versatile and talented employees, and continue to weight their compensation to stock options rather than cash. We know our success will be largely affected by our ability to attract and retain a motivated employee base, each of whom must think like, and therefore must actually be, an owner.

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With this foundation, we would like to turn to a review of our business focus, our progress in 1997, and our outlook for the future.

Obsess Over Customers

From the beginning, our focus has been on offering our customers compelling value. We realized that the Web was, and still is, the World Wide Wait. Therefore, we set out to offer customers something they simply could not get any other way, and began serving them with books. We brought them much more selection than was possible in a physical store (our store would now occupy 6 football fields), and presented it in a useful, easy-to-search, and easy-to-browse format in a store open 365 days a year, 24 hours a day. We maintained a dogged focus on improving the shopping experience, and in 1997 substantially enhanced our store. We now offer customers gift certificates, 1-Click(SM) shopping, and vastly more reviews, content, browsing options, and recommendation features. We dramatically lowered prices, further increasing customer value. Word of mouth remains the most powerful customer acquisition tool we have, and we are grateful for the trust our customers have placed in us. Repeat purchases and word of mouth have combined to make Amazon.com the market leader in online bookselling.

By many measures, Amazon.com came a long way in 1997:

- Sales grew from $15.7 million in 1996 to $147.8 million – an 838% increase.

- Cumulative customer accounts grew from 180,000 to 1,510,000 – a 738% increase.

- The percentage of orders from repeat customers grew from over 46% in the fourth quarter of 1996 to over 58% in the same period in 1997.

- In terms of audience reach, per Media Metrix, our Web site went from a rank of 90th to within the top 20.

- We established long-term relationships with many important strategic partners, including America Online, Yahoo!, Excite, Netscape, GeoCities, AltaVista, @Home, and Prodigy.

Infrastructure

During 1997, we worked hard to expand our business infrastructure to support these greatly increased traffic, sales, and service levels:

- Amazon.com's employee base grew from 158 to 614, and we significantly strengthened our management team.

- Distribution center capacity grew from 50,000 to 285,000 square feet, including a 70% expansion of our Seattle facilities and the launch of our second distribution center in Delaware in November.

- Inventories rose to over 200,000 titles at year-end, enabling us to improve availability for our customers.

- Our cash and investment balances at year-end were $125 million, thanks to our initial public offering in May 1997 and our $75 million loan, affording us substantial strategic flexibility.

Our Employees

The past year's success is the product of a talented, smart, hard-working group, and I take great pride in being a part of this team. Setting the bar high in our approach to hiring has been, and will continue to be, the single most important element of Amazon.com's success.

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We now know vastly more about online commerce than when Amazon.com was founded, but we still have so much to learn. Though we are optimistic, we must remain vigilant and maintain a sense of urgency. The challenges and hurdles we will face to make our long-term vision for Amazon.com a reality are several: aggressive, capable, well-funded competition; considerable growth challenges and execution risk; the risks of product and geographic expansion; and the need for large continuing investments to meet an expanding market opportunity. However, as we've long said, online bookselling, and online commerce in general, should prove to be a very large market, and it's likely that a number of companies will see significant benefit. We feel good about what we've done, and even more excited about what we want to do.

1997 was indeed an incredible year. We at Amazon.com are grateful to our customers for their business and trust, to each other for our hard work, and to our shareholders for their support and encouragement.

Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

1998

amazon.com

To our shareholders, customers, and employees:

The last 3½ years have been exciting. We've served a cumulative 6.2 million customers, exited 1998 with a $1 billion revenue run rate, launched music, video, and gift stores in the U.S., opened shop in the U.K. and Germany, and, just recently, launched Amazon.com Auctions.

We predict the next 3½ years will be even more exciting. We are working to build a place where tens of millions of customers can come to find and discover anything they might want to buy online. It is truly Day 1 for the Internet and, if we execute our business plan well, it remains Day 1 for Amazon.com. Given what's happened, it may be difficult to conceive, but we think the opportunities and risks ahead of us are even greater than those behind us. We will have to make many conscious and deliberate choices, some of which will be bold and unconventional. Hopefully, some will turn out to be winners. Certainly, some will turn out to be mistakes.

A Recap of 1998

Heads-down focus on customers helped us make substantial progress in 1998:

- Sales grew from $148 million in 1997 to $610 million – a 313% increase.
- Cumulative customer accounts grew from 1.5 million at the end of 1997 to 6.2 million at the end of 1998 – an increase of over 300%.
- Despite this strong new customer growth, the percentage of orders placed on the Amazon.com Web site by repeat customers grew from over 58% in the fourth quarter of 1997 to over 64% in the same period in 1998.
- Our first major product expansion, the Amazon.com music store, became the leading online music retailer in its first full quarter.
- Following their October launch under the Amazon brand and with Amazon.com technology, the combined fourth-quarter sales in the U.K. and German stores nearly quadrupled over the third quarter, establishing Amazon.co.uk and Amazon.de as the leading online booksellers in their markets.
- The addition of music was followed by the addition of video and gifts in November, and we became the leading online video retailer in only 6 weeks.
- 25% of our fourth-quarter 1998 sales was derived from Amazon.co.uk, Amazon.de, and music, video, and gift sales on Amazon.com, all very new businesses.
- We significantly improved the customer experience, with innovations like 1-Click℠ shopping, Gift Click, store-wide sales rank, and instant recommendations.

1998's revenue and customer growth and achievement of continued growth in 1999 were and are dependent on expansion of our infrastructure. Some highlights:

- In 1998 our employee base grew from approximately 600 to over 2,100, and we significantly strengthened our management team.
- We opened distribution and customer service centers in the U.K. and Germany, and in early 1999, announced the lease of a highly-mechanized distribution center of approximately 323,000 square feet in Fernley, Nevada. This latest addition will more than double our total distribution capacity and allows us to even further improve time-to-mailbox for customers.
- Inventories rose from $9 million at the beginning of the year to $30 million by year end, enabling us to improve product availability for our customers and improve product costs through direct purchasing from manufacturers.
- Our cash and investment balances, following our May 1998 high yield debt offering and early 1999 convertible debt offering, now stand at well over $1.5 billion (on a pro forma basis), affording us substantial financial strength and strategic flexibility.

We're fortunate to benefit from a business model that is cash-favored and capital efficient. As we do not need to build physical stores or stock those stores with inventory, our centralized distribution model has allowed us to build our business to a billion-dollar sales rate with just $30 million in inventory and $30 million in net plant and equipment. In 1998, we generated $31 million in operating cash flow which more than offset net fixed asset additions of $28 million.

Our Customers

We intend to build the world's most customer-centric company. We hold as axiomatic that customers are perceptive and smart, and that brand image follows reality and not the other way around. Our customers tell us that they choose Amazon.com and tell their friends about us because of the selection, ease-of-use, low prices, and service that we deliver.

But there is no rest for the weary. I constantly remind our employees to be afraid, to wake up every morning terrified. Not of our competition, but of our customers. Our customers have made our business what it is, they are the ones with whom we have a relationship, and they are the ones to whom we owe a great obligation. And we consider them to be loyal to us – right up until the second that someone else offers them a better service.

We must be committed to constant improvement, experimentation, and innovation in every initiative. We love to be pioneers, it's in the DNA of the company, and it's a good thing, too, because we'll need that pioneering spirit to succeed. We're proud of the differentiation we've built through constant innovation and relentless focus on customer experience, and we believe our initiatives in 1998 reflect it: our music, video, U.K. and German stores, like our U.S. bookstore, are best of breed.

Work Hard, Have Fun, Make History

It would be impossible to produce results in an environment as dynamic as the Internet without extraordinary people. Working to create a little bit of history isn't supposed to be easy, and, well, we're finding that things are as they're supposed to be! We now have a team of 2,100 smart, hard-working, passionate folks who put customers first. Setting the bar high in our approach to hiring has been, and will continue to be, the single most important element of Amazon.com's success.

During our hiring meetings, we ask people to consider three questions before making a decision:

- *Will you admire this person?* If you think about the people you've admired in your life, they are probably people you've been able to learn from or take an example from. For myself, I've always tried hard to work only with people I admire, and I encourage folks here to be just as demanding. Life is definitely too short to do otherwise.

- *Will this person raise the average level of effectiveness of the group they're entering?* We want to fight entropy. The bar has to continuously go up. I ask people to visualize the company 5 years from now. At that point, each of us should look around and say, "The standards are so high now -- boy, I'm glad I got in when I did!"

- *Along what dimension might this person be a superstar?* Many people have unique skills, interests, and perspectives that enrich the work environment for all of us. It's often something that's not even related to their jobs. One person here is a National Spelling Bee champion (1978, I believe). I suspect it doesn't help her in her everyday work, but it does make working here more fun if you can occasionally snag her in the hall with a quick challenge: "onomatopoeia!"

Goals for 1999

As we look forward, we believe that the overall e-commerce opportunity is enormous, and 1999 will be an important year. Although Amazon.com has established a strong leadership position, it is certain that competition will even further accelerate. We plan to invest aggressively to build the foundation for a multi-billion-dollar revenue company serving tens of millions of customers with operational excellence and high efficiency. Although this level of forward investment is costly and carries many inherent risks, we believe it will provide the best end-to-end experience for customers, and actually offer the least risky long-term value creation approach for investors.

The elements of our 1999 plan may not surprise you:

Distribution capacity – We intend to build out a significant distribution infrastructure to ensure that we can support all the sales our customers demand, with speedy access to a deep product inventory.

Systems capacity – We'll be expanding our systems capacity to support similar growth levels. The systems group has a significant task: expand to meet near term growth, restructure systems for multi-billion dollar scale and tens of millions of customers, build out features and systems for new initiatives and new innovations, and increase operational excellence and efficiency. All while keeping a billion dollar, 8 million customer store up and available on a 24x7 basis.

Brand promise – Amazon.com is still a small and young company relative to the major offline retailers, and we must ensure that we build wide, strong customer relationships during this critical period.

Expanded product and service offerings – In 1999, we will continue to enhance the scope of our current product and service offerings, as well as add new initiatives. Amazon.com Auctions is our most recent addition. If any of you have not tried this new service, I encourage you to run – not walk – to www.amazon.com and click on the Auctions tab. As an Amazon.com customer, you are pre-registered to both bid and sell. As a seller, you have access to Amazon.com's 8 million experienced online shoppers.

Bench strength and processes – We've complicated our business dramatically with new products, services, geographies, acquisitions and additions to our business model. We intend to invest in teams, processes, communication and people development practices. Scaling in this way is among the most challenging and difficult elements of our plan.

Amazon.com has made a number of strides forward in the past year, but there is still an enormous amount to learn and to do. We remain optimistic, but we also know we must remain vigilant and maintain a sense of urgency. We face many challenges and hurdles. Among them, aggressive, capable and well-funded competition; the growth challenges and execution risk associated with our own expansion; and the need for large continuing investments to meet an expanding market opportunity.

The most important thing I could say in this letter was said in last years' letter, which detailed our long-term investment approach. Because we have so many new shareholders (this year we're printing more than 200,000 of these letters – last year we printed about 13,000), we've appended last year's letter immediately after this year's. I invite you to please read the section entitled *It's All About the Long Term*. You might want to read it twice to make sure we're the kind of company you want to be invested in. As it says there, we don't claim it's the right philosophy, we just claim it's ours!

All the best and sincere thanks once again to our customers and shareholders and all the folks here who are working passionately every day to build an important and lasting company.

Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

amazon.com

(Reprinted from the 1997 Annual Report)

To our shareholders:

Amazon.com passed many milestones in 1997: by year-end, we had served more than 1.5 million customers, yielding 838% revenue growth to $147.8 million, and extended our market leadership despite aggressive competitive entry.

But this is Day 1 for the Internet and, if we execute well, for Amazon.com. Today, online commerce saves customers money and precious time. Tomorrow, through personalization, online commerce will accelerate the very process of discovery. Amazon.com uses the Internet to create real value for its customers and, by doing so, hopes to create an enduring franchise, even in established and large markets.

We have a window of opportunity as larger players marshal the resources to pursue the online opportunity and as customers, new to purchasing online, are receptive to forming new relationships. The competitive landscape has continued to evolve at a fast pace. Many large players have moved online with credible offerings and have devoted substantial energy and resources to building awareness, traffic, and sales. Our goal is to move quickly to solidify and extend our current position while we begin to pursue the online commerce opportunities in other areas. We see substantial opportunity in the large markets we are targeting. This strategy is not without risk: it requires serious investment and crisp execution against established franchise leaders.

It's All About the Long Term

We believe that a fundamental measure of our success will be the shareholder value we create over the long term. This value will be a direct result of our ability to extend and solidify our current market leadership position. The stronger our market leadership, the more powerful our economic model. Market leadership can translate directly to higher revenue, higher profitability, greater capital velocity, and correspondingly stronger returns on invested capital.

Our decisions have consistently reflected this focus. We first measure ourselves in terms of the metrics most indicative of our market leadership: customer and revenue growth, the degree to which our customers continue to purchase from us on a repeat basis, and the strength of our brand. We have invested and will continue to invest aggressively to expand and leverage our customer base, brand, and infrastructure as we move to establish an enduring franchise.

Because of our emphasis on the long term, we may make decisions and weigh tradeoffs differently than some companies. Accordingly, we want to share with you our fundamental management and decision-making approach so that you, our shareholders, may confirm that it is consistent with your investment philosophy:

- We will continue to focus relentlessly on our customers.

- We will continue to make investment decisions in light of long-term market leadership considerations rather than short-term profitability considerations or short-term Wall Street reactions.

- We will continue to measure our programs and the effectiveness of our investments analytically, to jettison those that do not provide acceptable returns, and to step up our investment in those that work best. We will continue to learn from both our successes and our failures.

- We will make bold rather than timid investment decisions where we see a sufficient probability of gaining market leadership advantages. Some of these investments will pay off, others will not, and we will have learned another valuable lesson in either case.

- When forced to choose between optimizing the appearance of our GAAP accounting and maximizing the present value of future cash flows, we'll take the cash flows.

- We will share our strategic thought processes with you when we make bold choices (to the extent competitive pressures allow), so that you may evaluate for yourselves whether we are making rational long-term leadership investments.

- We will work hard to spend wisely and maintain our lean culture. We understand the importance of continually reinforcing a cost-conscious culture, particularly in a business incurring net losses.

- We will balance our focus on growth with emphasis on long-term profitability and capital management. At this stage, we choose to prioritize growth because we believe that scale is central to achieving the potential of our business model.

- We will continue to focus on hiring and retaining versatile and talented employees, and continue to weight their compensation to stock options rather than cash. We know our success will be largely affected by our ability to attract and retain a motivated employee base, each of whom must think like, and therefore must actually be, an owner.

We aren't so bold as to claim that the above is the "right" investment philosophy, but it's ours, and we would be remiss if we weren't clear in the approach we have taken and will continue to take.

With this foundation, we would like to turn to a review of our business focus, our progress in 1997, and our outlook for the future.

Obsess Over Customers

From the beginning, our focus has been on offering our customers compelling value. We realized that the Web was, and still is, the World Wide Wait. Therefore, we set out to offer customers something they simply could not get any other way, and began serving them with books. We brought them much more selection than was possible in a physical store (our store would now occupy 6 football fields), and presented it in a useful, easy-to-search, and easy-to-browse format in a store open 365 days a year, 24 hours a day. We maintained a dogged focus on improving the shopping experience, and in 1997 substantially enhanced our store. We now offer customers gift certificates, 1-Click(SM) shopping, and vastly more reviews, content, browsing options, and recommendation features. We dramatically lowered prices, further increasing customer value. Word of mouth remains the most powerful customer acquisition tool we have, and we are grateful for the trust our customers have placed in us. Repeat purchases and word of mouth have combined to make Amazon.com the market leader in online bookselling.

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- We established long-term relationships with many important strategic partners, including America Online, Yahoo!, Excite, Netscape, GeoCities, AltaVista, @Home, and Prodigy.

Infrastructure

During 1997, we worked hard to expand our business infrastructure to support these greatly increased traffic, sales, and service levels:

- Amazon.com's employee base grew from 158 to 614, and we significantly strengthened our management team.

- Distribution center capacity grew from 50,000 to 285,000 square feet, including a 70% expansion of our Seattle facilities and the launch of our second distribution center in Delaware in November.

- Inventories rose to over 200,000 titles at year-end, enabling us to improve availability for our customers.

- Our cash and investment balances at year-end were $125 million, thanks to our initial public offering in May 1997 and our $75 million loan, affording us substantial strategic flexibility.

Our Employees

The past year's success is the product of a talented, smart, hard-working group, and I take great pride in being a part of this team. Setting the bar high in our approach to hiring has been, and will continue to be, the single most important element of Amazon.com's success.

It's not easy to work here (when I interview people I tell them, "You can work long, hard, or smart, but at Amazon.com you can't choose two out of three"), but we are working to build something important, something that matters to our customers, something that we can all tell our grandchildren about. Such things aren't meant to be easy. We are incredibly fortunate to have this group of dedicated employees whose sacrifices and passion build Amazon.com.

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/s/ JEFFREY P. BEZOS
Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

Exhibit L

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

This item is not eligible for Amazon Prime, but over a million other items are. Join **Amazon Prime** today.

ITEM INFORMATION

Explore this item

buying info
important information
customer reviews
product description

Share your thoughts
write a review
write a *So You'd Like to...* guide
e-mail a friend about this item

RATE THIS ITEM

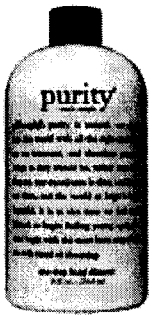
☆☆☆☆☆☆
☐ Not interested
☐ I own it

Listmania!

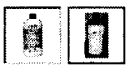
Listmania! create your list HERE learn how

philosophy purity made simple facial cleanser

Other products by philosophy



See larger image and other views



See 1 customer image
Share your own customer images

Price: $20.00-$32.00
See pricing chart

Size: Select Size

Availability: Usually ships in 1-2 business days. See shipping date and pricing chart for details. Ships from and sold by philosophy.

READY TO BUY?

Add to Shopping Cart

1-Click ordering is not available for this item.

A9.com users **save 1.57%** on Amazon. Learn how.

Add to Wish List

Add to Wedding Registry

Don't have one?
We'll set one up for you.

Customers who bought this item also bought

philosophy hope in a jar daily moisturizer (philosophy)
Average Customer Rating: ★★★★½
Buy new : **$35.00-$105.00**

philosophy hope in a jar daily moisturizer for dry, sensitive skin (philosophy)
Average Customer Rating: ★★★★½
Buy new : **$35.00**

philosophy hope in a bottle for congested skin (philosophy)
Average Customer Rating: ★★★★½
Buy new : **$35.00**

philosophy oxygen peel kit (philosophy)
Average Customer Rating: ★★★★☆
Buy new : **$45.00**

▸ **Explore Similar Items:** in DVD, in Books

Product Description

purity made simple was created because it was our feeling that most cleansers were not getting the skin clean enough. furthermore, we do not believe you need a makeup remover and a toner to complete the cleansing process. most cleansers are formulated to foam, push around, and hopefully rinse away dirt and makeup. purity made simple was formulated to actually emulsify and dissolve dirt, imbedded debris, and makeup rather than creating a lot of foam without a lot of clean.

Important Information

Ingredients

water, disodium lauroamphodiacetate, limnanthes alba (meadowfoam) seed oil, coco-glucoside, peg-120 methyl glucose dioleate, aniba rosaeodora (rosewood) wood oil, geranium maculatum oil, guaiacum officinale, cymbopogon martini oil, rosa damascena extract, amyris balsamifera bark oil, santalum album (sandalwood) oil, salvia officinalis (sage) oil, cinnamomum cassia leaf oil, anthemis nobilis flower oil, daucus carota sativa (carrot) seed oil, piper nigrum (black pepper) seed extract, sodium trideceth sulfate, hexylene glycol, cocos nucifera (coconut) alcohol, polysorbate 20, glycerin, carbomer, triethanolamine, methylparaben, propylparaben, imidazolidinyl urea, fd&c yellow no.5

Directions

apply to a dry or slightly damp face. massage for 30-60 seconds. rinse thoroughly.

Product Details

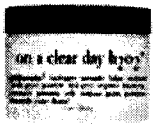
- **Shipping Information:** View shipping rates and policies
- **ASIN:** B0002CK9FM
- **Average Customer Review:** ★★★★★ based on 18 reviews. (Write a review)
- **Amazon.com Sales Rank:** #15,870 in Beauty

This page was created by a seller.

Customers who viewed this item also viewed

philosophy jump starters kit (philosophy)
Average Customer Rating: ★★★★½
Buy new : **$48.00**

philosophy the great mystery one-minute daily facial (philosophy)
Average Customer Rating: ★★★★★
Buy new : **$25.00**



philosophy on a clear day h2o2 cream (philosophy)
Average Customer Rating: ★★★★★
Buy new : **$20.00**

Philosophy Purity Made Simple (Sephora)
Average Customer Rating: ★★★★☆
Buy new : **$10.00-$32.00**

▸ **Explore Similar Items:** in Books, in Electronics, and in Kitchen & Housewares

Spotlight Reviews

Write an online review and share your thoughts with other customers.

13 of 13 people found the following review helpful:

★★★★☆ **PURE AND SIMPLE!**, November 4, 2004

Reviewer: **Gail Cooke** (TX, USA) - See all my reviews

TOP 10 REVIEWER REAL NAME™ COMMUNITY FORUM 04

Those toners, exfoliators, moisturizers, and cleansers used to not only take up a lot of room on my bathroom counter, but they cost me time and money. Time to apply each product for the desired effect, and very important to me, they cost dollars.

Purity Made Simple is a true one-step cleanser. Just a small amount of Purity plus water thoroughly cleanses my face - removing all traces of makeup and deep cleaning pores. It hydrates skin while washing away makeup, and the natural oil extracts contained in the product help to condition. In the morning, while such a thorough cleansing isn't necessary, it's a great way to jump start the day, leaves skin feeling fresh and rejuvenated.

Among Purity's ingredients are carrot, containing beta-carotene, an antioxidant that protects skin and encourages the growth of new cells. Coconut soothes, softens, and moisturizes, while black pepper has a deeply warming effect that detoxifies. There is also sandalwood which imparts a very subtle fragrance and is a wonderful hydrator. Love all natural ingredients!

Purity not only saves you money, but it simplifies a beauty routine and leaves your face fresh and clean.

Was this review helpful to you? yes no (Report this)

1 of 1 people found the following review helpful:

★★★★★ **Best cleanser I've ever used.**, July 15, 2005

Reviewer: **Jennifer Ortiz "jenortiz"** (Irvington, NJ United States) - See all my reviews

REAL NAME™

I love this cleanser. It really works well. It removes eye makeup and mascara. I used to have to use several products to get all the makeup off. Now I only use Purity Made Simple. I would recommend it to anyone with sensitive skin. It doesn't dry out your skin, in fact, it feels moisturized and soft. You don't even need a toner.

Try it, you won't be disappointed.

Jennifer

Was this review helpful to you? yes no (Report this)

Customer Reviews

Average Customer Review: ★★★★★

Write an online review and share your thoughts with other customers.

1 of 2 people found the following review helpful:

★★★★☆ **Very good cleanser...but**, June 29, 2005
Reviewer: **S. kannan "henotheist"** (Kansas City) - See all my reviews
REAL NAME™

Let me tell you first that this cleanser gets your skin perfectly clean and yet leaves it comfortable, with no tightness, and no dryness. It feels wonderful against the skin, and is delicately scented with sandalwood. The only slightly negative experience I had with it is using it the evening after the philosophy skin peel. I had done the peel in the morning, used the cleanser to cleanse in the evening and it felt like I dabbed sulfuric acid undiluted on my skin. And I do not have sensitive skin. I would still say it is a highly recommended buy and you might want to see if your skin reacts to it the same way after some serious exfoliation.

Was this review helpful to you? yes no (Report this)

1 of 7 people found the following review helpful:

★★★★★ **All men should use this to make women feel be little!**, June 27, 2005
Reviewer: **Ronnie Clay "R.C."** (Winnsboro, Louisiana) - See all my reviews

Men don't care what women say (he's too much of the pretty boy) keep on using this. Stuff like this intimidate women cause your skin will look better then hers. This is simple stuff all you do is put water on this and it gets all up in your pores.

Was this review helpful to you? yes no (Report this)

3 of 5 people found the following review helpful:

★★★★☆ **Nice and clean**, June 23, 2005
Reviewer: **Sara MacKenzie "aleta14"** (New York, NY United States) - See all my reviews
REAL NAME™

I really liked this cleanser- it smelled nice and clean, didn't leave an after-scent or residue of any kind. It left my skin clean-feeling and soft and I didn't get any breakouts while I was using it and it didn't strip my skin and make it feel dry. The only gripe I have is that it didn't really remove eye makeup like I was expecting. It took off some off it and deposited the rest below my eyes for that creepy living dead look.

Was this review helpful to you? yes no (Report this)

3 of 3 people found the following review helpful:

★★★★★ **The BEST Facial Cleanser You'll Ever Use.**, April 21, 2005
Reviewer: **Linda Painchaud-Steinman, Park Edge Books** (MA, USA) - See all my reviews

This cleanser is wonderfully refreshing and actually gets your skin clean, without leaving a residue of any kind behind.

Disolves makeup, even mascara, beautifully and never leaves the skin feeling too

dry. (In fact, it is lightly hydrating.)

I've used many facial cleansers, in many forms, including creams, foams, bars. This one is simply the best I've ever used.

Reviewer: Linda Painchaud-Steinman

Side note: This is the first time I've ever reviewed anything other than books on Amazon. But the Philosophy products are worth the time.

Was this review helpful to you? yes no (Report this)

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- philosophy's best kept secrets: by M. L. Thomas, product junkie
- My favorite beauty products to take away....: by whaleprincess, Princess Anja
- My must haves: by Elizabeth, Female fashionista

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- get makeup optional skin: by philosophy, philosophy
- Revive the Art of the Bath: by S.D.Northwest, Bath Connoisseur
- give a great Mother's Day Gift: by Shopping Goddess, shopping goddess

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- Beauty > Products > Skin Care > Face > Cleansers > Acne & Combination Skin
- Beauty > Products > Skin Care > Face > Cleansers > Dry Skin
- Beauty > Products > Skin Care > Face > Cleansers > Men's
- Beauty > Products > Skin Care > Face > Cleansers > Normal Skin
- Beauty > Products > Skin Care > Face > Cleansers > Oily Skin
- Beauty > Products > Skin Care > Face > Cleansers > Sensitive Skin
- Beauty > Products > Skin Care > Face > Oil & Blemish Control > Cleansers, Scrubs & Face Washes
- Beauty > Products > Skin Care > Men > Face > Cleansers & Treatments > Combination Skin
- Beauty > Products > Skin Care > Men > Face > Cleansers & Treatments > Face Cleansers & Scrubs

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Avon TRUE COLOR Eyeshadow Quad

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Price: ~~$6.50~~
Sale: $4.99
You Save: $1.51 (23%)

Color: Select Color

Availability: Usually ships in 1-2 business days. See shipping date and pricing chart for details. Ships from and sold by AVON.

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Colors:

Features:

- Wears Up to 12 hours.

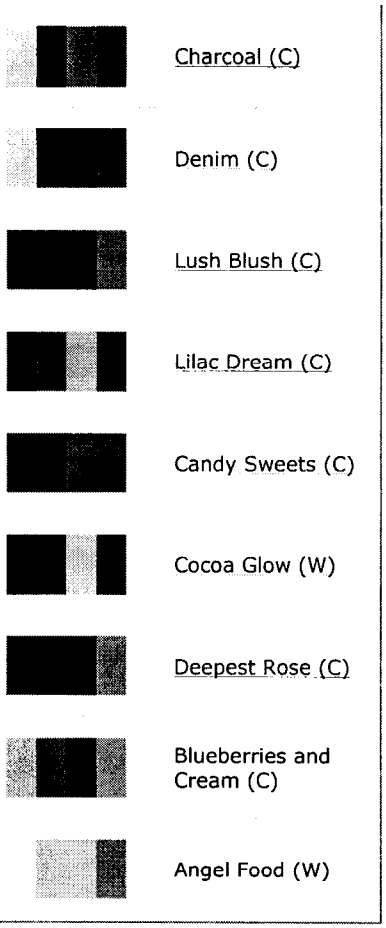
Customers who bought this item also bought

Avon MY LIP MIRACLE Lipcolor (AVON)
Average Customer Rating: ★★★★★
Buy new : **$8.00**

Avon Kiss Goodbye to Breast Cancer Brilliant Moisture Lipcolor (AVON)
Buy new : **$4.00**

Avon GLIMMERSTICKS Eye Liner (AVON)
Average Customer Rating: ★★☆☆☆
Buy new : **$6.00**

Avon Slick Tint For Lips (AVON)



Average Customer Rating: ★★★½☆
Buy new : **$0.99**

▸ **Explore Similar Items**

Product Description

If only Cinderella had known . . . our color-charged eyeshadow quad makes a brilliant splash with silky, glide-on color that last for up to 12 hours. In new color combinations, and the adjusting "Self Liquifying" technology that makes color pop, it's the perfect companion for evenings that go well past midnight. 20 oz. net wt.

Please note that in your shipping confirmation you will be asked to let us know if you are currently receiving service from an Avon Representative. If you are, please follow the link provided in the confirmation so that s/he can receive proper credit for your Avon order placed through Amazon.com.

Product Details

- **Shipping Information:** View shipping rates an
- **ASIN:** B000640WRG
- **Average Customer Review:** ★★½☆☆ based o
- **Amazon.com Sales Rank:** #734 in Beauty

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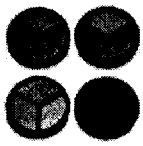
Avon TRUE COLOR Eyeshadow Duo (AVON)
Average Customer Rating: ★★☆☆☆
Buy new : **$5.00**



Avon Eyeshadow Trio (AVON)
Average Customer Rating: ★☆☆☆☆
Buy new : **$6.00**

Cadette Colorworks Eye Shadow Collection (Cosmetique)
Buy new : ~~$20.00~~ **Sale: $10.00**

Avon GLAZEWEAR Liquid Lip Color (AVON)
Average Customer Rating: ★★★★☆
Buy new : **$6.00**

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Customer Reviews

Average Customer Review: ★★☆☆☆

Write an online review and share your thoughts with other customers.

2 of 2 people found the following review helpful:

★★★☆☆ **Not great**, April 1, 2005
Reviewer: **Victoria** - See all my reviews
Two things about the eyeshadow quads and duos - first, a lot of the colors aren't as intense and bright as they look in the magazine. Second, they aren't very intense when you put them on, and start fading after a couple of hours.

Was this review helpful to you? yes no (Report this)

8 of 8 people found the following review helpful:

★★☆☆☆ **Not their best product**, October 19, 2004
Reviewer: **Allison Sibert** (Normal, IL United States) - See all my reviews
REAL NAME™
I have tried to use this product in Denim, and in Lilac Quad. Definitely not my favorite. It goes on fairly rough, the colors don't blend well. Since they don't blend nicely, they seem a little bright/over done, also.

If you must use it, try starting with BEYOND COLOR Triple Benefit Eyeshadow, instead of one of the colors from this compact. The BEYOND COLOR products go on much more smoothly.

Was this review helpful to you? yes no (Report this)

Listmania!

- A Girls Guide To Surviving High School: by crazychick818, Sophomore818
- Beauty Products I Have From Amazon.com- Part 1: by StarGymnast, beauty maniac
- A Makeup Mania List- I Like SHIMMERY & GLAM Makeup!: by Cat, Nixiecoolgirl, pre-teen girl

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- buy an MP3 player: by Person, music lover, photographer
- Have the best of everything: by Helen Owens, graphic designer
- IPOD: Everything You'll ever need for your IPOD!!: by Gary Roth, Apple MVP 05

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- Beauty > Products > Makeup > Eyes > Eye Shadow > Eye Gloss

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Creamed Almond and Coconut Skin Conditioner

Other products by LUSH Cosmetics

See larger image

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Price: $10.95

Availability: Usually ships in 4-5 business days. Ships from and sold by LUSH Cosmetics.

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Don't have one? We'll set one up for you.

Lush products are fresh and handmade in Canada. Standard U.S. shipping takes 10 to 15 business days, so please be patient. Good things are worth the wait! See all Lush products .

Features:

- Creamy Shower soap with the texture of a mousse to clean, moisturise and perfume your body
- Scented with sensual jasmine, claming ylang ylang, gentle vanilla and divinely scented labdanum

Customers who bought this item also bought

Dream Cream Hand and Body Cream (LUSH Cosmetics)
Average Customer Rating: ★★★★½
Buy new : **$18.95**

Silky Underwear Dusting Powder (LUSH Cosmetics)
Average Customer Rating: ★★★★☆
Buy new : **$7.95**

Big Natural Shampoo (LUSH Cosmetics)

Average Customer Rating: ★★★★½
Buy new : **$16.95**

Sympathy for the Skin Hand and Body Cream (LUSH Cosmetics)
Average Customer Rating: ★★★★☆
Buy new : **$17.95**

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Product Description

The Creamed Almond and Coconut Smoothie Shower Soap is more of a mousse in texture than a cream, if you want to get technical about it. Dip your fingers into the pot and scoop it out and it sits there, scented with sensual jasmine, calming ylang ylang and gentle vanilla, waiting to be applied to your body to clean it, moisturize it with almond and coconut oils and perfume it with the all of the above plus deep, divinely scented labdanum. After washing, don't waste it, wear something revealing.

Important Information

Ingredients

Perfume, Ylang Ylang Oil (Cananga odorata), Jasmine Absolute (Jasminum officinale), Sodium Palm Kernelate, Sodium Lauryl Sulfate, Glycerine, Sodium Chloride, Tetrasodium EDTA, Methylparaben, Coconut Oil (Cocos nucifera), Propylparaben, Almond Oil (Prunus dulcis), Vanilla Pod Infusion (Vanilla planifolia), Labdanum Resinoid (Cistus labdanum), Vanilla Extract (Vanilla planifolia),

Product Details

- **Product Dimensions:** 8.8 ounces
- **Shipping Information:** View shipping rates and policies
- **ASIN:** B000225ZII
- **Average Customer Review:** ★★★★☆ based on 1 review. (Write a review)
- **Amazon.com Sales Rank:** #2,774 in Beauty

This page was created by a seller.

Customers who viewed this item also viewed

Dreamwash Skin Conditioner (LUSH Cosmetics)
Average Customer Rating: ★★★★★
Buy new : **$14.95**

Celestial Skin Moisturizer (LUSH Cosmetics)
Average Customer Rating: ★★★★★
Buy new : **$15.95**

Potion Moisturizing Body Cream (LUSH Cosmetics)
Average Customer Rating: ★★★★★

Buy new : **$13.95**

Karma Kream Body Cream (LUSH Cosmetics)
Average Customer Rating: ★★★★☆
Buy new : **$21.95**

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Customer Reviews

Average Customer Review: ★★★★☆
Write an online review and share your thoughts with other customers.

12 of 13 people found the following review helpful:

★★★★☆ **Yummy, creamy, moisturizing soap**, May 6, 2004
Reviewer: **Stacy** (San Francisco, CA) - See all my reviews
This product is a great multi-use item. It is the consistency of a pudding, and even smells like it too! You can use it as soap, I recommend putting a dollop in a mesh pouf, and it will create an insane amount of lather. If you don't use a pouf, you will get a minimal amount of lather, but it still cleans your skin very gently, leaves it soft and slightly perfumed. You can also use it for shaving and it works wonderfully to soothe irritated skin..
It's a light, subtle vanilla scent that isn't too sweet. It doesn't leave a film on your skin but it is still moisturizing and will not make sensitive skin break out or itch. The only reason I do not give it 5 stars is because the packaging can be a little inconvenient, but I just keep it in a cabinet by my shower/tub. A little goes a long way, so the tub should last at least a couple months.

If you like this, or want to get something to compliment it, you would probably like the Sympathy for the Skin lotion which also has a light vanilla scent, or butterball bath bomb which is moisturizing cocoa butter and vanilla.

Was this review helpful to you? yes no (Report this)

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- A lovely lush obsession: by orangepaas, Tried and true Lushie
- LUSHious stuff!: by maryannie, beauty product lover
- LUSH Life: by Bunny McGinley, Bath Junkie

So You'd Like to...

- Spice up a Rainy Day?: by A. Anderson, French Student
- TRAVEL and EXPLORE the World: by noble26, Amateur travel buff
- take a long, hot bath: by M. F. Morrison, comfort seeker

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- Beauty > Products > Bath & Shower > Scrubs & Body Treatments > Natural
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Chanel No. 5 by Chanel for Women 0.13 oz Eau de Toilette Miniature Collectible

Other products by Chanel

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Price: $15.00
Availability: Usually ships in 1-2 business days. Ships from and sold by Beautiful Perfumes.

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Don't have one?
We'll set one up for you.

Features:

- Fragrance Family: Floral
- Recommended Use: All Seasons
- Fragrance Notes: grasse jasmine, rose, ylang-ylang, iris, amber, patchouli
- Fragrance Style: Timeless Classic
- Great For: All Occasions

Customers who bought this item also bought

Chanel No. 19 by Chanel for Women 0.13 oz Eau de Toilette Miniature Collectible (Beautiful Perfumes)
Buy new : **$12.50**

Romance by Ralph Lauren for Women 0.17 oz Eau de Parfum Miniature Collectible (Beautiful Perfumes)
Buy new : **$11.99**

Beyond Paradise by Estee Lauder for Women 0.12 oz Eau de Parfum Spray Miniature Collectible (Beautiful Perfumes)
Buy new : **$11.99**

holiday: A list by princess jasmine, smart shopper

▸ Add your List

Cristalle by Chanel for Women 0.13 oz Eau de Toilette Miniature Collectible (Beautiful Perfumes)
Buy new : **$13.00**

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Product Description

Chanel No. 5 by Chanel. In 1921, Mademoiselle Chanel revolutionized the fragrance world. She launched Chanel No. 5, a fragrance she designed to be unique, incisive, and subtle. This is a true classic fragrance of all time.

Product Details

- **Shipping Information:** View shipping rates and policies
- **ASIN:** B0002JB5ZI
- **Average Customer Review:** ★★★★★ based on 3 reviews. (Write a review)
- **Amazon.com Sales Rank:** #268 in Beauty

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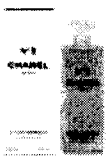
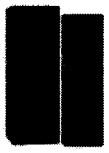


Chanel No. 5 Sensual Elixir by Chanel for Women 1.7 oz (Beautiful Perfumes)
Average Customer Rating: ★★★★★
Buy new : **$57.50**



Chanel No. 5 by Chanel for Women (Beautiful Perfumes)
Buy new : **$48.00**

Chanel No. 5 by Chanel for Women 1.0 oz Parfum Classic (Beautiful Perfumes)
Buy new : **$275.00**

CHANCE For Women By CHANEL eau de toilette (Perfumania)
Average Customer Rating: ★★★★½
Buy new : **$45.99-$67.99**

▸ **Explore Similar Items:** in Electronics

Customer Reviews

Average Customer Review: ★★★★★
Write an online review and share your thoughts with other customers.

★★★★★ **CLASSIC!**, July 20, 2005
Reviewer: **Veronica Lake "Missy"** - See all my reviews
Chanel No.5 has, of course, become an icon in the world of perfume. Whether it be song, book or film if a desirable, highly sought after scent is mentioned it is most

often Chanel No. 5. However, we'd be hard pressed to choose between Chance and Chanel No.5. Let's just say it's a tie. Both are beguiling, memorable fragrances.

Chanel, for us, is a happy daytime fragrance as it is a rich bouquet of fresh floral sensations. There are notes of Hyacinth, White Musk, Citron, Punk Pepper, Jasmine, Fresh Vetiver, Oris Absolute and Amber of Patchouli - a magical mixture.
Chance comes in a rounded bottle, almost a perfect circle presented in a pink box.

It's been a favorite for some time!

Was this review helpful to you? yes no (Report this)

1 of 2 people found the following review helpful:

★★★★★ **My ultimate favourite**, February 4, 2005
Reviewer: **Anna "Annie"** (Switzerland) - See all my reviews
Very stable and fascinating smell. Suitable for not-so-young-anymore girls, though. Consider wearing it rather later during the day than mornings...

Was this review helpful to you? yes no (Report this)

10 of 11 people found the following review helpful:

★★★★★ **The Mysterious Femmininity of No. 5 is a Timeless Classic**, December 14, 2004
Reviewer: **L. Hawkins "Laura Wilde"** (USA) - See all my reviews
REAL NAME™
When asked what she wore to bed, Marilyn Monroe famously replied "Only a few drops of No. 5 . . . ."

Product Specific Info: This bottle of Chanel No. 5 is not meant to be opened. It can be, of course, but it was designed to be one of the tiny minatures so popular with collectors. To retain its full value as a collectible, the bottle must never be opened, even if just for a quick peek or sniff! :) This Eau de Toilette miniature version is only slightly less valuable than the Eau de Parfum miniature edition. (Note: EDTs have a tendancy to evaporate from the bottle over time so store this in a comfortable temperature and out of direct sunlight.)

Chanel No. 5:
With a fragrance as legendary as Chanel No. 5, a little history is helpful in understanding why this has been one of the top selling fragrances in the world for nearly a hundred years and why it's a prized edition of any Miniature collection. In the 1920s, the popular perfumes of the time were single flower scents like "Rose," or "Jasmine" or "Lilly of the Valley." The legendary designer Coco Chanel set out to create a perfume that would capture a woman's personality in a way that a single flower scent never could and gave it a name, a package, and scent unlike anything experienced by the world. With a memory inducing aroma unlike any other before or since, Chanel No. 5 was one of the first scents to mix both raw natural scents with aldehydes or synthetic substitutes. This allows the perfumer to create scents never before experienced and not found in nature. Constructing No 5 this way made the aroma unique and somewhat undefinable -- both feminine and mysterious. It is a composite or abstract fragrance with no one single note stronger in the mix than the others. Because of this, Chanel No. 5 smells slightly different on each woman as her

own unique personality is heightened as the fragrance makes its home. Even twins smell slightly different wearing No. 5.

The Chanel No. 5 packaging is instantly recognizable by its shape alone. Released in a time filled with ornate ornamental bottles, the No. 5 bottle was as revolutionary then as it remains timelessly modern today. The label and box are both simple and without color or ornamentation which only adds to its timeless appeal. This is a natural choice for the namesake perfume of the woman who made famous the essential "little black dress."

Then there's the name . . . sounding something closer to an ingredient in a chemistry set or a description in one of the popular catalogues of the time, Chanel gave her fragrance a name that eschewed all naming conventions. This played directly into her unique `launch strategy.' Instead of the grand, multimillion dollar campaign blitzes of today, Chanel spritzed her perfume in the air of her boutiques and gave tiny bottles away as gifts to her best clients and friends. When they would ask what it was or where it came from, she would nonchalantly reply she'd "discovered it by chance at a little perfumers who's name [she'd] forgotten" or that it was just "a little something she'd had made up as a gift." When her clients asked for more to purchase she would innocently reply "But I don't sell perfume, my dear!" Made popular by word-of-mouth and the exclusivity of the fact it could not be bought, soon clients began to demand that Chanel sell the fragrance. When demand reached the desired height, Chanel `granted" their wish. Of course, this was Chanel's plan all along.

Chanel did everything her own way and created a unique bottle, packaging, name, and scent. In this way she made all other fragrances look old, dated, and even obsolete and set a standard so unique that no one since, even till today, can emulate for fear of looking like a copy. She also is responsible for all those places, you know the ones, where we all dab our perfume. She famously told women to apply No. 5 anywhere they wanted to be kissed . . . .

"Because I love women, I wanted them to be comfortable in my clothes, to be able to drive a car. I wanted to create dresses that emphasized their femininity, that follow the shape of their body. When she is well-dressed, a woman is almost more naked than when she is undressed. I want to give her an artificial perfume, I mean artificial like a dress, in other words, created. I am a craftsman of couture. I don't want roses or lilly of the valley; I want a perfume that is a composition." -- Mademoiselle Gabrielle "Coco" Chanel

Chanel No. 5's mix of notes is so diverse and because no one single note is dominant, the fragrance smells simultaneously floral, fruity, warm and velvety, and just a little something undefinable. Although the perfume consists of more than just these plus large quantities of those mysterious aldehydes, here are the notes Chanel No. 5 is most famous for: Ylang-Ylang from the Comoros, Neroli (Seville Orange Blossom) from Grasse, exclusive Aldehydes, Grasse Jasmine, May Rose, Sandal from Mysore, Vetiver from Reunion, and Bourbon Vanilla.

An "Eau de Toilette," French for "toilet water" or "water of toiletries" is a watered down version of the pure fragrance. An Eau de Parfum is typically diluted with water to enable spritzing while an Eau de Toilette has been watered down and diluted with both water and alcohol to make the fragrance more economical for purchase. The high alcohol content is why all Eau de Toilettes have a strong alcohol like scent when sniffed directly from the bottle. One must try them on the skin to discern their true nature. Expect after spritzing to give the alcohol in an Eau de Toilette time to evaporate off the skin before the complex richness of the scent can be best discerned.

Was this review helpful to you? yes no (Report this)

Listmania!

- The Best Perfumes: by Yvette Nieves, Loves 2 Shop
- Great gifts for the clueless: don?t go wrong :): by M. G. Alcat, eclectic reader
- Stuff is Fun: by demetra armour, A collection of Good Stuff

So You'd Like to...

- Look Like Britney Spears?: by kundalini1, Makeup Artist
- have a perfectly wild date: by Natalia, Wild Woman
- Enter the Wonderful World of Estrogen: by Skye, Your Girlhood Guide

Look for similar items by category

Browse similar items in Beauty:

- Beauty > Products > Fragrance > Women's > Eau de Toilette

Suggestion Box

Your comments can help make our site better for everyone. If you've found something incorrect, broken, or frustrating on this page, let us know so that we can improve it. Please note that we are unable to respond directly to suggestions made via this form.

If you need help with an order, please contact Customer Service.

Please mark as many of the following boxes that apply:

- ☐ Product information is missing important details.
- ☐ Product information is incorrect.
- ☐ The page contains typographical errors.
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- ☐ The page has a software bug in it.
- ☐ Content violates Amazon.com's policy on offensive language.
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Comments or Examples:

Examples: Missing information such as dimensions and model number, typos, inaccuracies, etc.

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Exhibit M

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

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Amazon.com Privacy Notice

Last updated: July 20, 2005

Amazon.com knows that you care how information about you is used and shared, and we appreciate your trust that we will do so carefully and sensibly. This notice describes our privacy policy. **By visiting Amazon.com, you are accepting the practices described in this Privacy Notice.**

What Personal Information About Customers Does Amazon.com Gather?

The information we learn from customers helps us personalize and continually improve your shopping experience at Amazon.com. Here are the types of information we gather.

- **Information You Give Us:** We receive and store any information you enter on our Web site or give us in any other way. Click here to see examples of what we collect. You can choose not to provide certain information, but then you might not be able to take advantage of many of our features. We use the information that you provide for such purposes as responding to your requests, customizing future shopping for you, improving our stores, and communicating with you.
- **Automatic Information:** We receive and store certain types of information whenever you interact with us. For example, like many Web sites, we use "cookies," and we obtain certain types of information when your Web browser accesses Amazon.com. Click here to see examples of the information we receive. A number of companies offer utilities designed to help you visit Web sites anonymously. Although we will not be able to provide you with a personalized experience at Amazon.com if we cannot recognize you, we want you to be aware that these tools exist.
- **E-mail Communications:** To help us make e-mails more useful and interesting, we often receive a confirmation when you open e-mail from Amazon.com if your computer supports such capabilities. We also compare our customer list to lists received from other companies, in an effort to avoid sending unnecessary messages to our customers. If you do not want to receive e-mail or other mail from us, please adjust your Customer Communication Preferences.

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- Yes, I found the information I needed.
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- Add an item to your order
- Combine open orders to save on shipping
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- Amazon Prime Member Shipping
- Go to Your Account

- **Information from Other Sources:** We might receive information about you from other sources and add it to our account information. Click here to see examples of the information we receive.

What About Cookies?

- Cookies are alphanumeric identifiers that we transfer to your computer's hard drive through your Web browser to enable our systems to recognize your browser and to provide features such as 1-Click purchasing, New for You, personalized Amazon Honor System greetings, and storage of items in your Shopping Cart between visits.
- The Help portion of the toolbar on most browsers will tell you how to prevent your browser from accepting new cookies, how to have the browser notify you when you receive a new cookie, or how to disable cookies altogether. However, cookies allow you to take full advantage of some of Amazon.com's coolest features, and we recommend that you leave them turned on.

Does Amazon.com Share the Information It Receives?

Information about our customers is an important part of our business, and we are not in the business of selling it to others. We share customer information only as described below and with subsidiaries Amazon.com, Inc. controls that either are subject to this Privacy Notice or follow practices at least as protective as those described in this Privacy Notice.

- **Affiliated Businesses We Do Not Control:** We work closely with our affiliated businesses. In some cases, such as Marketplace, zShops, and Auctions sellers, these businesses operate stores at Amazon.com or sell offerings to you at Amazon.com. In other cases, we operate stores, provide services, or sell product lines jointly with these businesses. Click here for some examples of co-branded and joint offerings. You can tell when a third party is involved in your transactions, and we share customer information related to those transactions with that third party.
- **Agents:** We employ other companies and individuals to perform functions on our behalf. Examples include fulfilling orders, delivering packages, sending postal mail and e-mail, removing repetitive information from customer lists, analyzing data, providing marketing assistance, providing search results and links (including paid listings and links), processing credit card payments, and providing customer service. They have access to personal information needed to perform their functions, but may not use it for other purposes.
- **Promotional Offers:** Sometimes we send offers to selected groups of Amazon.com customers on behalf of other businesses. When we do this, we do not give that business your name and address. If you do not want to receive such offers, please adjust your Customer Communication Preferences.

- **Business Transfers:** As we continue to develop our business, we might sell or buy stores, subsidiaries, or business units. In such transactions, customer information generally is one of the transferred business assets but remains subject to the promises made in any pre-existing Privacy Notice (unless, of course, the customer consents otherwise). Also, in the unlikely event that Amazon.com, Inc., or substantially all of its assets are acquired, customer information will of course be one of the transferred assets.
- **Protection of Amazon.com and Others:** We release account and other personal information when we believe release is appropriate to comply with the law; enforce or apply our Conditions of Use and other agreements; or protect the rights, property, or safety of Amazon.com, our users, or others. This includes exchanging information with other companies and organizations for fraud protection and credit risk reduction. Obviously, however, this does not include selling, renting, sharing, or otherwise disclosing personally identifiable information from customers for commercial purposes in violation of the commitments set forth in this Privacy Notice.
- **With Your Consent:** Other than as set out above, you will receive notice when information about you might go to third parties, and you will have an opportunity to choose not to share the information.

How Secure Is Information About Me?

- We work to protect the security of your information during transmission by using Secure Sockets Layer (SSL) software, which encrypts information you input.
- We reveal only the last five digits of your credit card numbers when confirming an order. Of course, we transmit the entire credit card number to the appropriate credit card company during order processing.
- It is important for you to protect against unauthorized access to your password and to your computer. Be sure to sign off when finished using a shared computer. Click here for more information on how to sign off.

Which Information Can I Access?

Amazon.com gives you access to a broad range of information about your account and your interactions with Amazon.com for the limited purpose of viewing and, in certain cases, updating that information. Click here to see some examples, the list of which will change as our Web site evolves.

What Choices Do I Have?

- As discussed above, you can always choose not to provide information, even though it might be needed to make a purchase or to take advantage of such Amazon.com features as Your Profile, Wish Lists, and Customer Reviews.

- You can add or update certain information on pages such as those listed in the "Which Information Can I Access?" section above. When you update information, we usually keep a copy of the prior version for our records.
- If you do not want to receive e-mail or other mail from us, please adjust your Customer Communication Preferences. (If you do not want to receive Conditions of Use and other legal notices from us, such as this Privacy Notice, those notices will still govern your use of Amazon.com, and it is your responsibility to review them for changes.)
- The Help portion of the toolbar on most browsers will tell you how to prevent your browser from accepting new cookies, how to have the browser notify you when you receive a new cookie, or how to disable cookies altogether. However, you will not be able to use such important features as 1-Click ordering and New for You if you do not use cookies.
- Click here to explore products that offer anonymous browsing. In addition, the Federal Trade Commission provides useful information about online privacy on its own Web site, Site Seeing on the Internet.

Children

Amazon.com does not sell products for purchase by children. We sell children's products for purchase by adults. If you are under 18, you may use Amazon.com only with the involvement of a parent or guardian.

Safe Harbor

Amazon.com is a participant in the Safe Harbor program developed by the U.S. Department of Commerce and the European Union. We have certified that we adhere to the Safe Harbor Privacy Principles agreed upon by the U.S. and the E.U. For more information about the Safe Harbor and to view our certification, visit the U.S. Department of Commerce's Safe Harbor Web site. If you would like to contact Amazon.com directly about the Safe Harbor program, please send an e-mail to safeharbor@amazon.com.

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If you choose to visit Amazon.com, your visit and any dispute over privacy is subject to this Notice and our Conditions of Use, including limitations on damages, arbitration of disputes, and application of the law of the state of Washington. If you have any concern about privacy at Amazon.com, please contact us with a thorough description, and we will try to resolve it.

Our business changes constantly, and our Privacy Notice and the Conditions of Use will change also. We may e-mail periodic reminders of our notices and conditions, unless you have instructed us not

to, but you should check our Web site frequently to see recent changes. Unless stated otherwise, our current Privacy Notice applies to all information that we have about you and your account. We stand behind the promises we make, however, and will never materially change our policies and practices to make them less protective of customer information collected in the past without the consent of affected customers.

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- Amazon.com Marketplace, Auctions, and zShops Participation Agreement
- Marketplace, Auctions and zShops Account and Community Guide
- Help department
- Shared Purchases
- Your Amazon Home Guidelines

Information You Give Us

You provide most such information when you search, buy, bid, post, participate in a contest or questionnaire, or communicate with customer service. For example, you provide information when you search for a product; place an order through Amazon.com or one of our third-party sellers; make an Auction bid or purchase; provide information in Your Account (and you might have more than one if you have used more than one e-mail address when shopping with us) or About You; communicate with us by phone, e-mail, or otherwise; complete a questionnaire or a contest entry form; compile Wish Lists or other gift registries; provide employer information when opening a corporate account; participate in Discussion Boards or Amazon.com Chat; provide and rate Reviews; specify a Special Occasion Reminder or a favorite charity in Charity Links; share information with Amazon Friends; and employ other Personal Notification Services, such as Available to Order Notifications. As a result of those actions, you might supply us with such information as your name, address, and phone numbers; credit card information; people to whom purchases have been shipped, including addresses and phone number; people (with addresses and phone numbers) listed in 1-Click settings; e-mail addresses of Amazon Friends and other people; content of reviews and e-mails to us; personal description and photograph in About You; and financial information, including Social Security and driver's license numbers.

Automatic Information

Examples of the information we collect and analyze include the Internet protocol (IP) address used to connect your computer to the Internet; login; e-mail address; password; computer and connection information such as browser type and version, operating system, and platform; purchase history, which we sometimes aggregate with similar information from other customers to create features such as Purchase Circles and Top Sellers; the full Uniform Resource Locator (URL) clickstream to, through, and from our Web site, including date and time; cookie number; products you viewed or searched for; zShops you visited; your Auction history; and the phone number you used to call our 800 number. During some visits we may use software tools such as JavaScript to measure and collect session information, including page response times, download errors, length of visits to certain pages, page interaction information (such as scrolling, clicks, and mouse-overs), and methods used to browse away from the page.

Information from Other Sources

Examples of information we receive from other sources include updated delivery and address information from our carriers or other third parties, which we use to correct our records and deliver your next purchase or communication more easily; account information, purchase or redemption information, and page-view information from some merchants with which we operate co-branded businesses (such as drugstore.com) or for which we provide technical, fulfillment, advertising, or other services (such as Target.com); search term and search result information from some searches conducted through the Web search features offered by our subsidiary, Alexa Internet; search results and links, including paid listings (such as Sponsored Links from Google); and credit history information from credit bureaus, which we use to help prevent and detect fraud and to offer certain credit or financial services to some customers.

Information You Can Access

Examples of information you can access easily at Amazon.com include up-to-date information regarding recent orders; personally identifiable information (including name, e-mail, password, communications preferences, address book, and 1-Click settings); payment settings (including credit card information and gift certificate, gift card, and check balances); e-mail notification settings (including Alerts, Available to Order notifications, Delivers, New for You, Special Occasion Reminders, Weekly Movie Showtimes, and newsletters); recommendations (including recent product view history, prior order history, and Favorites); shopping lists and gift registries (including Wish Lists and Baby and Wedding Registries); Auctions, zShops, and Marketplace seller accounts; and your Profile (including your product Reviews, Requests, and Recommendations, Listmania lists, "So You'd Like to..." guides, personal profile, people you tagged as interesting, and Amazon Friends).

Co-branded and Joint Offerings

Examples of businesses with which we offer joint or co-branded products and other offerings include Toysrus.com, Babiesrus.com, Imaginarium.com, Target, Borders, Waldenbooks, AT&T Wireless, Sprint, T-Mobile, CarsDirect.com, Hotwire, drugstore.com, The Vacation Store, Ofoto.com, Office Depot, J&R, Virginmega.com, Nordstrom, Eddie Bauer, and other apparel stores.

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Exhibit N

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

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A-to-z Guarantee Protection

What is the Amazon.com A-to-z Guarantee?

We want you to buy with confidence anytime you purchase products on Amazon.com. That is why we guarantee purchases from Amazon Marketplace, Auctions, zShops, and Merchant sellers. The condition of the item you buy and its timely delivery are guaranteed under the Amazon.com A-to-z Guarantee.

After you have read carefully through the following important guidelines, click below to submit your claim.

Submit a Claim

When is a buyer covered under the Amazon.com A-to-z Guarantee?

1. The buyer provided payment to the seller, but the seller failed to deliver the item.
2. The buyer received the item, but the item was materially different than as depicted in the seller's description.

When is a product "materially different" than what the seller advertised?

If a seller has clearly misrepresented the condition or details of an item in a way that affects its value or utility, it is "materially different" and that seller should be willing to offer a refund or exchange. If the seller does not offer a refund or exchange, your purchase is eligible for our A-to-z Guarantee.

Items are considered "materially different" in these circumstances:

- Wrong version or edition

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- Item condition or details not as described
- Wrong item
- Missing parts or components
- Defective item
- Damaged item

When submitting an A-to-z Guarantee claim with the reason "materially different," you will need to select one of the reasons above and provide comments explaining why the item you received is materially different from the item you purchased.

Please note that this does not extend to cases where you are simply disappointed with an item. Amazon.com will ultimately determine material difference at our discretion.

What are the requirements of the Amazon.com A-to-z Guarantee?

- The item must be purchased from an Amazon Marketplace, Auctions, zShops, or Merchant seller on the Amazon.com site. Purchases from the following Amazon Merchants or other sellers are not covered by the A-to-z Guarantee: Eddie Bauer, Newport News, Nordstrom, Spiegel, Ultimate Outlet Brands (Spiegel Clearance), Warehouse Deals, Toysrus.com, Babiesrus.com, Imaginarium.com, the Target Store, Borders.com, Waldenbooks.com, eBags.com, eLuxury, Marshall Fields, Mervyns, and Virginmega.com.
- For Amazon Marketplace and Merchant orders, you must wait 3 calendar days past the maximum estimated delivery date for an order or 30 days from the order date, whichever is sooner. For example, a U.S. order sent using the standard shipping option would become eligible for a claim 21 calendar days after the ship date (14 business days + 3 calendar days). From that point, you have 60 days to submit a claim.
- For Auctions and zShops purchases, you may file a claim 30 days after the date of purchase. From that point, Auctions and zShops customers have 30 days to submit a claim.
- Shipping fees are only included in A-to-z Guarantee refunds for transactions in which Amazon Payments was used. If Amazon Payments was not used, shipping fees will not be included.
- Buyers are limited to a lifetime maximum of five claims for Amazon Marketplace, Auctions and zShops purchases.
- You must provide the required information on the guarantee claim form.
- If you paid by credit card, and the issuing bank has initiated a chargeback, then you are not eligible for coverage under the A-to-z Guarantee.

How much coverage will buyers receive?

Buyers who pay for Amazon Marketplace, Auctions, zShops, or Merchant purchases using Amazon Payments are eligible to receive up to $2,500 of the purchase price, including shipping charges.

How do I file a claim?

If you're a U.K. resident, sign in here and proceed to the U.K. Guarantee claim form page. Residents of Germany should sign in here and proceed to the German Guarantee claim form page. Amazon.com will typically complete the processing of your claim within 1 to 2 weeks.

What happens after submitting a claim?

We appreciate your patience and cooperation during the processing period, and in fact we may contact you for additional information. We may also attempt to contact the seller to encourage him or her to work directly with you to resolve the problem. Please contact us if you reach a settlement with the seller while we are processing your A-to-z Guarantee claim.

Are all purchases backed by the Amazon.com A-to-z Guarantee?

Yes. If you meet the conditions above, you're covered!

What does it cost?

Buyers are covered at no cost. We're committed to creating a safe buying experience at Amazon.com. If you have additional questions about the A-to-z Guarantee, please contact us.

What countries are covered by the Amazon.com A-to-z Guarantee?

Amazon Marketplace, Auctions, zShops, and Merchant customers who use Amazon Payments and who reside in the following countries are covered under our A-to-z Guarantee: Australia, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Great Britain, Hong Kong, Iceland, Ireland, Italy, Japan, Republic of Korea, Mexico, Netherlands, New Zealand, Northern Ireland, Norway, Portugal, Scotland, South Africa, Spain, Sweden, Switzerland, the United Kingdom, and the United States. (Note: U.S. protectorates, including Puerto Rico, U.S. Virgin Islands, Guam, American Samoa, APO/FPO, etc., are also supported by Amazon Payments.)

How do I cancel a pending claim?

Buyers can contact us to indicate that the transaction has been resolved. Sellers will need to contact

the buyers and encourage them to write to us in order to revoke or cancel a pending claim. If a resolution has been reached after a claim check has already been sent, please return the check to:

Amazon.com
Billing Department
Attn: A-to-z Guarantee
P.O. Box 80463
Seattle, WA 98108-0463

Submit a Claim

Revised June 16, 2005

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Customer Security: Buying and Selling on Amazon.com

Amazon.com is concerned about the safety and security of our customers. Accordingly, we have put a number of technological protections in place to ensure that our transaction process is extremely safe and that our customers' information is secure.

Additionally, Amazon.com takes a number of steps to help ensure that our third-party seller platforms are safe and that our sellers are of the highest quality. However, keep in mind that customer protection is a two-way street. When buying or selling on any online venue, caution must always be practiced.

The overwhelming majority of online transactions are completed without incident. While the possibility of being defrauded by a third-party seller is minimal, there are some risks. Amazon.com has developed the following guidelines to help ensure that your online shopping experience is safe and secure.

Safety and Security Tips

Buyer and Seller Tip: Protect your passwords.

- If using a public computer or terminal, always log out when you complete an online session.
- Keep your passwords private. Remember, anybody who knows your password may access your account.
- When creating a password, use at least 8 characters--a combination of letters and numbers is best. Do not use dictionary words, your name, e-mail address, or other personal information that can be easily obtained. It is also recommended that you frequently change your password.
- Avoid using the same password for multiple online accounts.

Buyer and Seller Tip: Be wary of unsolicited e-mail and telephone contacts.

Did this page help?

- Yes, I found the information I needed.
- No, this page wasn't helpful.

Manage Your Account

- Change or cancel an open order
- View all your orders.
- Add an item to your order
- Combine open orders to save on shipping
- Forgot your password?
- Amazon Prime Member Shipping
- Go to Your Account

- Amazon.com will never e-mail or call a customer and ask that they disclose or verify their Amazon.com password, credit card, or banking account number. Such information should only be submitted when completing an order on Amazon.com, registering for Amazon Payments, contacting Amazon.com directly, or when making updates to the Your Account or Seller Account areas.
- If you are contacted by, or receive an unsolicited e-mail from an unknown entity, and are asked to confirm or provide your password or personal or banking information, simply disregard the request and report the incident to Amazon.com for investigation.
- Buyers and sellers on the third-party sales platform (Auctions, zShops, and Marketplace) should always carefully review order and shipment confirmation e-mails to ensure that they are legitimate and have been sent by Amazon.com. To do this, simply cross-reference confirmation e-mails with the transaction history found within the Seller Account area.
- If you receive a suspected fake Amazon.com e-mail, or discover a spoof Amazon.com Web site, please report the incident to Amazon.com by sending the original spoofed e-mail as an attachment or forwarding the e-mail directly to stop-spoofing@amazon.com. Click here to learn more about Amazon.com's efforts to help stop deceptive e-mail forgery ("spoofing").

Buyer Tip: Research your seller.

- Buyers should always research a seller's feedback history prior to initiating a transaction. Feedback is the leading indicator of a seller's overall quality. Look for clues within a seller's feedback that indicate the following: The ability to fulfill and ship orders in a timely fashion, a seller's willingness to resolve transaction disputes, and an indication that the quality of the products shipped matches the description supplied by the seller. Click here to learn more about seller feedback.

Buyer Tip: Only use Amazon Payments for Marketplace transactions.

- Amazon Payments is safe, secure, guaranteed, and provides buyers with a convenient method of payment. Amazon Payments is the only authorized and recognized form of payment for Marketplace purchases. Marketplace sellers may only use Amazon.com Payments to complete transactions.
- Regardless of circumstances, buyers should **never** pay for a Marketplace item using an alternative form of payment such as wire transfer, credit card, money orders, check, cash, etc.
- Marketplace transactions paid for using alternative forms of payment are not eligible for protection under the Amazon.com A-to-z Guarantee; therefore, it is extremely important that buyers only use Amazon.com Payments to complete Marketplace transactions. Click here to learn more about the Amazon.com A-to-z Guarantee.

Buyer Tip: Always use Amazon Payments for Auctions and zShops transactions.

- For protection under the Amazon.com A-to-z Guarantee, buyers should use Amazon.com Payments to complete an Auction or zShops transaction. Auctions and zShops sellers may only use Amazon Payments to complete their transactions. Because Amazon Payments is the only accepted payment method for Auctions and zShops orders, buyers should not use payment methods such as check, cash, money order, or other payment methods for Auctions or zShops transactions.

Seller Tip: Ship only to supported addresses.

- Auctions, zShops, and Marketplace orders must only be shipped to addresses supplied by Amazon.com (contained within the ship confirmation e-mails). Sellers should be especially concerned if contacted by a buyer and asked to ship a completed order to an alternative address. In this case, sellers should refund the buyer and then report the occurrence to Amazon.com. Buyers are responsible for providing a current shipping address upon registration.

Still have questions? Search help or contact us.

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- Track your recent orders.
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Aroma Wheel Ashbury Aromatherapy (Rate it)

Wine Essence Aroma Collection International Wine Accessories (Rate it)

Recent Searches

- In All Products: wine aroma identification
- In All Products: aroma wheel
- In All Products: wine aroma

- O2 XDA IIs - Ballpoint Pen - Stylus Replacement - 3 in 1 Stylus Upgrade by Cityfor Electronics (Rate it)
- Apple iPod 4G (20GB) Anti-Glare Screen Protector by Cityfor Electronics (Rate it)
- Shimano SD-60 Sandal (Rate it)

- In All Products: funky phonics

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Credit Card Help

Using Amazon Payments | Declines | Updating a Card

Using Amazon Payments

Amazon Payments lets you use the same credit card you have on file with Amazon.com to pay for items you buy from others.

Orders that Use Payments

When you buy a used or collectible item at Amazon Marketplace or from an Amazon Merchant, you can pay via Amazon Payments. All third-party sellers on our Auctions, zShops, and Amazon Marketplace platforms must be registered for Payments, and Payments is the only accepted payment method for all Auctions, zShops, and Marketplace transactions.

When using Amazon Payments for a Marketplace or Merchant transaction, you may use a credit card or an Amazon.com gift certificate. Amazon Payments does not support payment by check, money order, or PayPal.

Amazon Payments Safety

- Amazon Payments transactions for Amazon Marketplace, Auctions, and zShops are covered up to $2,500 by our Amazon.com A-to-z Guarantee. In addition, most Amazon Merchant orders, with some exceptions, use Payments and are covered under our Guarantee terms. For those exceptions and more information about our terms of coverage, please take a moment to review the Amazon.com A-to-z Guarantee.
- Amazon Payments transfers the amount you indicate but never passes along your full credit card information. Such credit card information is kept strictly confidential, just between you and Amazon.com. Please note that if you order from one of a few select merchants, we will

Did this page help?

- Yes, I found the information I needed.
- No, this page wasn't helpful.

Contact Us

To contact Customer Service by e-mail click the button below. Please note that, for security reasons, we can only modify orders or send account information when the request comes from the e-mail address that is associated with your Amazon.com account.

By e-mail

To talk to Customer Service by phone click the button below and provide a phone number where we can call you in a few minutes.
(note: this feature is currently

provide the merchant with the last four or five digits of your credit card number for identification purposes.

available for customers in the U.S. and Canada only).

By phone

Convenience

- You can issue 1-Click payments to Amazon Marketplace sellers, but not to Amazon Merchants. Note: 1-Click payments are immediate for these orders. You do not have 90 minutes to cancel your order.
- You can see a record of all your Amazon Payments transactions online. For Amazon Merchant or Marketplace buyers, click the Your Account button in the upper right corner of your screen. Auctions and zShops buyers should visit the Your Account section of our Auctions and zShops web site and click to "View all recent purchases made online with Amazon Payments."

Note: Due to the slightly different nature of our Amazon Marketplace Web site, it is not possible to enter the last 5 digits of your credit card and telephone us with your full credit card information.

Credit Card Declines

If we are unable to charge your card successfully for an Amazon Marketplace order, we will send an e-mail notification with a link to resubmit payment, at which time you can update your payment information or authorize another attempt to charge. We cannot re-try your credit card for you. If payment is unsuccessful more than once, or the order is more than 3 days old, the order will be canceled. If this occurs, please feel free to return to our store to place another order.

At this time, we cannot accept resubmitted payments on declined Merchant orders.

Updating a Card

If payment is successful, your card will be charged at the time of purchase. We have no means by which to alter the credit card for an Amazon Merchant or Marketplace order after it has been submitted. To cancel an order, you will need to contact your seller to make arrangements. Seller contact information is available through Your Account.

If you would simply like to update a credit card on your account, you'll find our Help page instructions under Adding & Deleting Credit Cards.

Where's My Stuff?
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- Wine Essence Aroma Collection International Wine Accessories (Rate it)
- O2 XDA IIs - Ballpoint Pen - Stylus Replacement - 3 in 1 Stylus Upgrade by Cityfor Electronics (Rate it)
- Apple iPod 4G (20GB) Anti-Glare Screen Protector by Cityfor Electronics (Rate it)
- Shimano SD-60 Sandal (Rate it)

Recent Searches

- In All Products: wine aroma identification
- In All Products: aroma wheel
- In All Products: wine aroma
- In All Products: funky phonics

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Exhibit O

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

amazon.com Kate's Store See All 31 Product Categories Your Account | Cart | Wish List | Help |

Search Amazon.com GO! Web Search GO!

Help > Returns

Returns

- Overview
- Amazon Marketplace
- Amazon Merchants
- Apparel
- Auctions & zShops
- Automotive
- Baby
- Beauty
- Books
- Camera & Photo
- Cars
- Cell Phones & Service
- Computers
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- Digital Products
- DVDs
- Electronics
- Health & Personal Care
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- Kitchen & Housewares
- Magazines
- Music
- Musical Instruments
- Office Products
- Outdoor Living
- Product Specific Policies
- Software
- Sports & Outdoors
- Target at Amazon.com
- Tools & Hardware
- Toys & Games
- Travel
- Video

Related Categories

- Lost Your Packing Slip?
- Packing & Sending Your Return
- Problem with an Order?
- Refunds
- Undeliverable Packages

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- Change or cancel an open order
- View all your orders.
- Add an item to your order
- Combine open orders to save on shipping
- Forgot your password?
- Amazon Prime Member Shipping
- Go to Your Account

Need to Return an Item?

Our online Returns Center will guide you through the return process and provide you with a printable return shipping label.

Visit our Returns Center

Our Returns Policy

You may return most items sold by Amazon.com within 30 days of delivery for a full refund. We'll also pay the return shipping cost if the return is a result of our error. Please note that we are unable to exchange items (however, if you received a damaged, defective, or incorrect item, click here).

We **cannot** accept returns of certain items, including:

- Any item that is gas-powered or contains flammable liquids. (These items will say "This item cannot be returned" on their product detail page.)
- Any television 27 inches or larger.
- Any product missing the serial number or UPC.

In addition, we will only issue partial refunds for the return of certain items, including:

- Any item that is returned more than 30 days after delivery.
- Any book that has obvious signs of use.
- Any CD, DVD, VHS tape, software, video game, cassette tape, or vinyl record that has been opened (taken out of its plastic wrap).
- Any item that is not in its original condition, is damaged, or is missing parts.

Returning a gift? The Online Returns Center allows gift recipients to return items they received as a gift even if the order was not marked as a gift at the time of purchase. Just indicate the item is a gift at the time of return, and we'll send a gift certificate for the amount of the returned items to the e-mail address you enter on the online form.

Please click the topical links on this page for other product-specific exceptions, our refund policy, and more.

Returning Items Purchased from Other Sellers

Information about returns and refunds for items purchased from a third party such as Amazon Marketplace, Amazon Merchants, Auctions, and zShops sellers can be found by clicking the topical links on this page.

Amazon.com subsidiaries operating on third-party platforms, such as Warehouse Deals, may have different policies. Merchant policies are accessible before ordering, wherever product details are made available.

Where's My Stuff?
- Track your recent orders.
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Exhibit P

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

Media Metrix
Shopping domains by category

Online Competitive Traffic Data

	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Web POP (000s)	81,097	84,801	87,905	88,645	89,330	89,684	91,837	94,392	96,263	99,026	102,128	104,811	106,412
Average Usage Days/Visits per month													
Amazon.com	2.4	2.4	2.1	2.2	2.1	2.2	2.1	2.2	2.2	2.2	2.3	2.4	2.6
BlockBuster.com	1.2	1.2	1.3	1.1	1.1	1.6	1.2	1.2	1.2	1.2	1.1	1.2	1.1
Reel.com	1.5	1.3	1.6	2.3	2.5	2.1	1.8	1.5	1.2	1.1	1.3	1.1	1.2
VideoFlicks.com	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1	1.3	1.1	1.0	1.1	1.1
Total Av. Usage Min. spent by month	38	36	40	45	47	48	42	38	37	34	34	34	34

Media Metrix
Shopping domains by category

Online Competitive Traffic Data

	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Web POP (000s)	81,097	84,801	87,905	88,645	89,330	89,684	91,837	94,392	96,263	99,026	102,128	104,811	**106,412**
Amazon.com Acquisitions and Partnerships													
Reach													
Target.com	4.4	2.6	2	2.3	2.3	2.7	3.0	3.6	3.8	3.4	3.1	5.8	**5.8**
Toys R Us Sites	7.4	3.3	2.7	2.6	2.9	2.6	2.6	3.5	3.3	2.8	4.5	8.1	**7.2**
Drugstore.com	2.4	1.9	2.1	2.1	1.6	1.8	2.5	1.7	2.5	3.3	2.3	4.1	**5.3**
Circuitcity	2.6	1.9	1.0	1.6	1.0	1.4	1.5	2.1	2.3	1.6	1.8	3.1	**3.5**
Ofoto.com	0.6	0.4	0.5	0.5	0.4	0.3	0.5	0.9	0.8	0.8	1.0	0.8	**1.0**
Unique Visitors (000s)													
Target.com	3,542	2,211	1,785	2,077	2,075	2,414	2,788	3,416	3,629	3,338	3,212	6,106	**6,146**
Toys R Us Sites	5,988	2,760	2,343	2,317	2,632	2,313	2,425	3,286	3,180	2,756	4,600	8,454	**7,636**
Drugstore.com	1,944	1,594	1,868	1,871	1,419	1,614	2291	1,693	2,367	3,302	2,362	4,318	**5,685**
Circuitcity	2,107	1599	900	1,440	851	1,283	1,393	1,936	2,260	1,607	1,889	3,291	**3,752**
Ofoto.com	460	298	405	414	391	293	493	825	767	811	986	841	**1,069**
Average Usage Days/Visits per month													
Target.com	1.4	1.2	1.3	1.5	1.4	1.4	1.4	1.3	1.5	1.4	1.4	1.4	**1.5**
Toys R Us Sites	1.7	1.6	1.5	1.9	1.4	1.5	1.5	1.6	1.4	1.6	1.6	1.6	**1.6**
Drugstore.com	1.4	1.4	1.4	1.3	1.4	1.3	1.3	1.3	1.3	1.2	1.4	1.3	**1.4**
Circuitcity	1.3	1.2	1.5	1.4	1.5	1.3	1.2	1.2	1.2	1.5	1.4	1.4	**1.6**
Ofoto.com	1.7	1.7	1.6	1.8	1.5	2.3	1.5	1.6	1.8	1.7	2.0	1.8	**1.7**
Auctions													
Reach													
Amazon.com (total, not just auctions)	26.0	20.2	20.5	21.7	21.5	22.3	21.7	22.9	23.8	21.9	23.8	28.9	**29.1**
Ebay.com	24.1	22.2	19.3	22.4	20.7	21.4	25.3	20.2	25.9	22.4	25.4	24.7	**24.7**
Ubid.com	2.8	2.0	2.2	2.4	2.2	2.0	2.4	3.0	2.5	2.3	2.5	2.6	**2.5**
Ewanted.com	1.9	0.3	0.3	0.3	0.5	0.3	0.2	0.3	NA	NA	NA	0.1	**0.1**
FirstAuction.com	1.1	0.5	0.5	0.4	0.5	0.3	NA	NA	NA	NA	NA	NA	**NA**
Total Auction Reach	29.9	25.0	22.3	25.5	23.9	24.0	27.9	23.5	28.4	24.7	27.9	27.4	**27.3**
Unique Visitors (000s)													
Amazon.com (total, not just auctions)	21,053	17,158	18,046	19,249	19,163	20,016	19,972	21,576	22,950	21,692	24,298	30,326	**30,957**
Ebay.com	19,536	18,837	16,953	19,840	18,447	19,236	23,263	19,096	24,900	22,158	25,945	25,879	**26,248**
Ubid.com	2,303	1,698	1,974	2,133	1,936	1,829	2,168	2,862	2,384	2,291	2,532	2,697	**2,684**
Ewanted.com	1,511	251	278	277	483	242	212	243	NA	NA	NA	157	**147**
FirstAuction.com	857	407	475	368	420	304	NA	NA	NA	NA	NA	NA	**NA**
Total Unique Visitors (000s)	24,207	21,193	19,680	22,618	21,286	21,611	25,643	22,201	27,284	24,449	28,477	28,733	**29,079**
Average Usage Days/Visits per month													
Amazon.com (total, not just auctions)	2.4	2.4	2.1	2.2	2.1	2.2	2.1	2.2	2.2	2.2	2.3	2.4	**2.6**
Ebay.com	4.5	4.8	5.1	4.9	4.9	5.1	4.6	5.4	5.0	5.0	5.1	4.9	**5.2**
Ubid.com	2.1	2.4	1.9	2.4	2.2	2.0	1.9	1.9	1.9	1.9	2.0	2.1	**2.0**
Ewanted.com	1.2	1.5	1.6	1.5	1.3	1.4	1.8	1.8	NA	NA	NA	2.4	**1.7**
FirstAuction.com	2.2	4.2	2.2	2.8	2.6	1.9	NA	NA	NA	NA	NA	NA	**NA**
Total Av. Usage Min. spent by month	10.0	12.9	10.8	11.7	11.0	10.4	8.3	9.1	6.9	6.9	7.1	9.4	**8.9**
Books													
Reach													
Amazon.com (total, not just books)	26.0	20.2	20.5	21.7	21.5	22.3	21.7	22.9	23.8	21.9	23.8	28.9	**29.1**
Barnes & Noble Sites	9.1	6.5	7.0	7.0	6.3	5.9	6.1	7.0	6.9	5.8	5.8	6.9	**8.5**
Booksonline.com	1.0	0.8	0.9	0.7	0.6	0.4	0.4	0.5	0.4	0.4	0.6	0.4	**0.3**
Powells.com	0.3	0.4	0.4	0.6	0.2	NA	NA	NA	0.2	0.2	0.2	0.3	**0.4**
Borders.com	1.2	0.9	0.7	0.9	0.8	0.7	1.1	0.8	0.2	NA	0.2	0.2	**0.2**
Alibris.com	0.3	0.3	0.2	0.3	0.2	NA	NA	0.2	0.3	0.3	NA	0.3	**0.3**
Fatbrain.com	0.3	0.4	1.6	1.6	NA	NA	0.2	0.4	0.2	NA	NA	NA	**NA**
Total Books reach (includes overlap)	32.2	23	24.4	25.1	24.7	25.1	24.4	25.9	26.2	24.7	26.8	31.1	**31.7**
Unique Visitors (000s)													
Amazon.com	21,053	17,158	18,046	19,249	19,163	20,016	19,972	21,576	22,950	21,692	24,298	30,326	**30,957**
Barnes & Noble Sites	7,044	5,504	6,279	6,176	5,815	5,165	5,593	6,648	6,637	5,748	5,915	7260	**9,081**
Booksonline.com	799	659	802	640	546	396	346	496	421	432	579	449	**354**
Powells.com	279	352	344	446	211	NA	NA	NA	226	240	246	263	**449**
Borders.com	1,207	775	922	797	699	637	668	715	224	NA	241	231	**212**
Alibris.com	294	267	317	280	227	NA	NA	225	263	276	NA	288	**306**
Fatbrain.com	263	260	316	434	NA	NA	223	359	202	NA	NA	NA	**NA**
Total Unique Book Customers	9,915	7,901	9,559	9,413	7,955	7,249	7,130	8,443	7,973	6,696	6,981	8,461	**10,402**
Average Usage Days/Visits per month													
Amazon.com	2.4	2.4	2.1	2.2	2.1	2.2	2.1	2.2	2.2	2.2	2.3	2.4	**2.6**

Media Metrix
Shopping domains by category

Online Competitive Traffic Data

	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
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Barnes & Noble Sites	1.5	1.4	1.4	1.5	1.3	1.4	1.3	1.4	1.4	1.4	1.4	1.5	1.5
Booksonline.com	1.3	1.3	1.3	1.4	1.4	1.3	1.3	1.1	1.3	1.5	1.5	1.7	1.5
Powells.com	1.3	1.2	1.1	1.2	1.0	NA	NA	NA	1.2	1.3	1.3	1.1	1.2
Borders.com	1.3	1.6	1.1	1.3	1.4	1.2	1.1	1.4	1.3	NA	1.1	1.5	1.6
Alibris.com	2.6	1.5	3.3	2.9	3.1	NA	NA	2.3	1.2	1.2	NA	1.5	1.2
Fatbrain.com	1.2	1.1	1.2	1.2	NA	NA	1.1	1.1	1.1	NA	NA	NA	NA
Total Av. Usage Min. spent by month	9.2	8.1	9.4	9.5	8.2	3.9	4.8	7.3	7.5	5.4	5.3	7.3	7.0

Camera & Photo *

Reach													
Amazon.com (total, not just Photo)	26.0	20.2	20.5	21.7	21.5	22.3	21.7	22.9	23.8	21.9	23.8	28.9	29.1
Photoworks	1.3	1.1	0.9	1.3	1.3	1.6	1.1	1.1	1.2	0.9	0.7	0.8	0.7
Photopoint	1.4	1.8	1.4	1.6	1.5	1.3	1.1	1.1	0.8	0.9	0.9	0.7	0.5
Snapfish	0.6	0.8	0.7	0.7	0.7	0.7	0.6	0.5	0.7	0.5	1.5	1.6	1.4
Shutterfly	0.5	0.7	0.7	0.4	NA	0.4	0.4	0.4	0.5	0.3	0.4	0.5	0.5
PhotoAlley	0.6	5.9	NA	NA	0.3	0.3	0.3	0.2	0.5	0.2	0.5	0.5	0.5
ClubPhoto	NA	NA	NA	0.2	NA	NA	0.3	0.3	0.4	0.2	0.3	0.3	0.2
RitzCamera	0.7	NA	0.2	NA	NA	NA	NA	NA	0.4	0.3	0.4	0.7	1.3
Photonet	0.7	0.8	0.5	0.6	0.6	0.7	0.7	0.4	0.3	NA	0.2	0.3	NA
BHPhotovideo.com	NA	NA	NA	NA	NA	NA	NA	NA	0.3	NA	0.2	0.2	0.2
WolfCamera	0.3	NA	NA	NA	NA	NA	NA	NA	0.2	NA	NA	NA	NA
CameraWorld	0.8	NA	NA	NA	0.3	NA	0.3	NA	NA	NA	NA	NA	NA
eMemories	0.4	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Zing	1.0	0.7	0.7	0.7	1.0	0.7	0.5	NA	NA	NA	NA	NA	NA
Total Photo Reach	7.3	11.1	4.4	4.8	4.7	5.0	4.8	4.0	5.3	3.3	5.1	5.6	5.3
Unique Visitors (000s)													
Amazon	21,053	17,158	18,046	19,249	19,163	20,016	19,972	21,576	22,950	21,692	24,298	30,326	30,957
Photoworks	1,067	964	805	1,160	1,128	1,402	1,026	1,075	1,155	897	761	815	766
Photopoint	1,167	1540	1198	1,384	1,316	1,209	1,050	1,041	813	891	904	733	540
Snapfish	521	672	590	637	606	599	580	516	675	466	1,561	1,626	1,452
Shutterfly	406	606	639	394	NA	396	361	414	455	278	404	484	492
PhotoAlley	488	292	NA	NA	249	251	275	234	439	236	467	480	559
ClubPhoto	NA	NA	NA	213	NA	NA	297	260	394	205	335	279	238
RitzCamera	573	NA	220	NA	NA	NA	NA	NA	361	270	446	687	1,378
Photonet	545	663	414	514	532	586	618	337	293	NA	201	338	NA
BHPhotovideo.com	NA	NA	NA	NA	NA	NA	NA	NA	244	NA	241	172	201
WolfCamera	254	NA	NA	NA	NA	NA	NA	NA	225	NA	NA	NA	NA
CameraWorld	624	NA	NA	NA	274	NA	236	NA	NA	NA	NA	NA	NA
eMemories	337	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Zing	796	817	584	625	922	620	455	NA	NA	NA	NA	NA	NA
TOTAL Photo (000s)	5,982	4,737	3,866	4,302	4,105	4,443	4,443	3,877	5,054	3,243	5,320	5,614	5,626
Average Usage Days/Visits per month													
Amazon.com (total, not just Photo)	2.4	2.4	2.1	2.2	2.1	2.1	2.1	2.2	2.2	2.2	2.3	2.4	2.6
Photoworks	1.8	1.8	1.5	1.6	1.6	1.5	1.7	1.8	1.7	1.6	1.7	1.6	1.6
Photopoint	1.7	2	2.1	1.9	1.8	1.6	1.6	1.8	1.5	1.5	1.3	1.6	1.4
Snapfish	1.9	2	1.6	1.6	1.5	1.9	1.6	2.1	1.8	2.4	1.6	1.5	1.5
Shutterfly	1.8	1.6	1.6	1.9	NA	1.3	1.4	1.8	1.5	1.8	1.5	1.4	1.5
PhotoAlley	1.3	1.2	NA	NA	1.3	1.1	1.4	1.2	1.3	1.1	1.1	1.3	1.3
ClubPhoto	NA	NA	NA	1.0	NA	NA	1.4	1.9	1.4	1.2	1.6	1.3	1.3
RitzCamera	1.2	NA	1.0	NA	NA	NA	NA	NA	0.4	1.2	1.3	1.3	1.2
Photonet	1.3	1.3	1.2	1.5	1.2	1.5	1.4	1.8	1.4	NA	1.3	1.2	NA
BHPhotovideo.com	NA	NA	NA	NA	NA	NA	NA	NA	1.4	NA	1.4	1.2	1.7
WolfCamera	1.2	NA	NA	NA	NA	NA	NA	NA	1.2	NA	NA	NA	NA
CameraWorld	1.2	NA	NA	NA	1.2	NA	2.3	NA	NA	NA	NA	NA	NA
eMemories	1.1	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Zing	1.4	2.3	1.4	1.5	1.7	1.8	1.8	NA	NA	NA	NA	NA	NA
Total Photo Avg/Mnth/Month	14.5	9.9	9.0	9.5	9.6	8.9	12.8	12.4	13.6	10.8	12.8	12.4	11.5

CE & Software

Reach													
Amazon.com (total, not just CE)	26.0	20.2	20.5	21.7	21.5	22.3	21.7	22.9	23.8	21.9	23.8	28.9	29.1
Dell.com	5.3	4.3	4.1	4.3	4.5	4.4	3.8	4.4	5.3	4.5	5.6	5.3	5.5
BestBuy.com	4.4	3.6	3.5	3.5	3.3	3.2	3.4	3.4	3.8	3.7	4.4	5.7	7.4
Buy.com	3.5	2.8	2.6	3.2	2.1	2.5	3.1	2.6	2.5	2.5	2.8	3.5	3.3
Gateway.com	2.1	1.9	2.1	2.1	1.4	1.9	1.6	2.1	2.8	2.7	3.6	3.4	2.7
Circuitcity	2.6	1.9	1.1	1.6	1.3	1.4	1.5	2.1	2.3	1.6	1.8	3.1	3.5
Egghead.Sites	2.5	1.9	1.7	1.4	1.5	1.4	1.3	1.1	1.2	1.6	2.7	2.7	0.2
CompUSA.com	1.6	1.2	1.2	1.2	1.1	1.2	1.1	1.2	1.4	1.4	1.7	2.3	2.5

Media Metrix
Shopping domains by category

Online Competitive Traffic Data

	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Web POP (000s)	81,097	84,801	87,905	88,645	89,330	89,684	91,837	94,392	96,263	99,026	102,128	104,811	106,412
800.com	2.8	1.5	0.9	1.0	1.1	1.0	1.0	1.3	1.1	1.0	1.0	1.6	2.1
RadioShack	2.0	1.3	1.0	1.0	0.9	0.9	1.2	0.9	1.4	1.0	1.0	1.3	2.1
Crutchfield	0.7	0.5	0.4	0.6	0.5	0.7	0.7	0.8	0.7	0.5	0.7	0.8	1.0
Computer4sure.com	1.0	0.7	0.6	0.7	0.5	NA	0.5	0.7	0.6	0.7	NA	0.7	0.8
Beyond.com	0.9	1.0	0.7	0.7	0.6	0.5	0.5	0.5	0.6	0.7	0.4	0.5	0.5
Fatbrain.com	0.3	0.4	0.3	0.4	NA	NA	0.2	0.4	0.2	NA	NA	NA	NA
Total CE Reach	29.9	24.7	16.0	17.2	14.0	15.5	15.9	18.0	18.6	17.4	17.1	23.6	26.1
Unique Visitors (000s)													
Amazon *	21,053	17,158	18,046	19,249	19,163	20,016	19,972	21,576	22,950	21,692	24,298	30,326	30,957
Dell.com	4,326	4,124	3,645	3,800	4,050	3912	3,471	4,190	5,138	4,591	5,762	5,554	5,887
Bestbuy.com	4,410	2,631	2,229	2,216	2,075	2,906	3,123	3,173	3,663	3,622	4,507	6,010	7,876
Buy.com	5,234	2,333	2,268	2,668	1,899	2,241	2,756	2,355	2,428	2,503	2,858	3,622	3,519
Gateway.com	2,960	2,484	2,717	2748	2,149	2578	2,374	2,916	2,711	2,655	2,605	3,573	2,897
Circuitcity	2,107	1599	900	1,440	851	1,283	1,393	1,936	2,260	1,607	1,889	3,291	3,752
Egghead Sites	2,028	1,644	1,486	1,281	1,342	1,235	1,228	1,022	1,158	1,573	736	723	197
CompUSA.com	1,307	1,009	1,090	1,050	979	867	982	1,154	1,365	1,413	1,762	2,446	2,681
800.com	2,265	1,268	783	928	943	898	951	1,207	1,077	987	1,008	1,727	2,186
RadioShack	1,598	1,070	873	851	786	812	1,125	895	786	992	989	1,378	2,204
Crutchfield	582	417	344	531	476	632	609	714	650	540	741	824	1,014
Computer4sure.com	786	564	494	579	467	NA	528	651	621	644	NA	756	895
Beyond.com	720	878	616	631	495	463	424	426	541	717	415	514	513
Fatbrain.com	252	352	305	444	NA	NA	223	359	202	NA	NA	NA	NA
TOTAL CE (000s)	24,249	16,249	14,105	15,367	12,462	13,915	15,716	16,808	17,462	17,253	17,510	24,864	27,734
Average Usage Days/Visits per month													
Amazon *	2.4	2.4	2.1	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.3	2.4	2.6
Dell.com	1.6	2.4	2.1	2.3	2.1	2.1	2.2	2.2	2.1	1.9	2.1	2.2	2.1
Bestbuy.com	1.5	1.4	1.3	1.5	1.3	1.4	1.3	1.5	1.5	1.4	1.6	1.7	1.6
Buy.com	1.8	1.9	2	2	1.8	1.8	1.8	1.9	1.9	1.8	1.9	1.8	2.0
Gateway.com	1.6	1.7	1.5	1.7	1.6	1.7	1.5	1.5	1.6	1.7	1.8	1.6	1.6
Circuitcity	1.3	1.2	1.5	1.4	1.5	1.3	1.2	1.2	1.2	1.5	1.4	1.4	1.6
Egghead Sites	1.9	2.1	2.2	2.7	2.0	2.1	2.0	2.0	1.6	1.4	1.4	1.2	1.3
CompUSA.com	1.3	1.3	1.2	1.3	1.3	1.6	1.4	1.4	1.4	1.5	1.6	1.5	1.6
800.com	1.5	1.4	1.5	1.9	1.6	1.4	1.4	1.5	1.7	1.7	1.4	1.4	1.5
RadioShack	1.3	1.4	1.3	1.3	1.2	1.3	1.2	1.2	1.4	1.2	1.2	1.3	1.3
Crutchfield	1.4	1.4	1.7	1.4	1.4	1.6	1.6	1.4	1.4	1.4	1.3	1.4	1.6
Computer4sure.com	1.1	1.2	1.1	1.1	1.1	1.1	1.1	1.5	1.4	1.5	NA	1.5	1.6
Beyond.com	1.4	1.4	1.4	1.3	1.2	NA	1.1	1.1	1.1	1.1	1.1	1.2	1.2
Fatbrain.com	1.2	1.1	1.2	1.2	NA	NA	1.1	1.1	1.1	NA	NA	NA	NA
TOTAL CE (000s)	17.3	17.5	17.9	18.8	16.0	15.3	16.7	17.3	17.3	16.2	14.7	16.0	16.9

Kitchen

Reach													
Amazon.com (total, not just Kitchen)	26.0	20.2	20.5	21.7	21.5	22.3	21.7	22.9	23.8	21.9	23.8	28.9	29.1
MarthaStewart.com	1.8	1.4	1.3	1.3	1.3	1.6	1.2	1.7	1.5	1.1	1.9	2.0	1.5
Cooking.com	1.7	0.8	0.7	1.4	1.0	1.2	0.8	0.9	0.8	0.9	0.9	1.7	1.6
Williams-Sonoma	0.4	0.3	0.2	NA	NA	0.3	0.3	0.4	0.3	0.2	0.4	0.4	0.7
Tavalo.com	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Kitchen Reach	3.9	2.5	2.2	2.7	2.3	3.1	2.3	3.0	2.6	2.2	3.2	4.1	3.8
Unique Visitors (000s)													
Amazon.com	21,053	17,158	18,046	19,249	19,163	20,016	19,972	21,576	22,950	21,692	24,298	30,326	30,957
MarthaStewart.com	1,478	1,170	1,124	1,111	1,173	1,435	1,099	1,558	1,404	1,111	1,955	2,118	1,588
Cooking.com	1,359	656	652	1,209	927	1,070	735	875	775	885	925	1,794	1,713
Williams-Sonoma	349	239	219	NA	NA	302	240	335	325	216	359	429	704
Tavalo.com	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Unique Visitors (000s)	3,186	2,065	1,995	2,320	2,100	2,807	2,074	2,768	2,504	2,212	3,239	4,341	4,005
Average Usage Days/Visits per month													
Amazon.com	2.4	2.4	2.1	2.2	2.1	2.1	2.1	2.2	2.2	2.2	2.3	2.4	2.6
MarthaStewart.com	1.5	1.4	1.5	1.7	1.6	1.8	1.8	1.6	1.5	1.7	1.5	1.5	1.5
Cooking.com	1.4	1.5	1.7	1.3	1.4	1.3	1.1	1.2	1.4	1.3	1.3	1.3	1.6
Williams-Sonoma	1.1	1.1	1.0	NA	NA	1.2	1.1	1.3	1.4	1.1	1.1	1.3	1.4
Tavalo.com	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Av. Usage Min. spent by month	4.2	4.0	4.2	3.0	3.0	4.3	4.0	4.1	4.3	4.1	3.9	4.1	4.5

Music

Reach													
Amazon.com (total, not just Music)	26.0	20.2	20.5	21.7	21.5	22.3	21.7	22.9	23.8	21.9	23.8	28.9	29.1
CDNow.com (Live Sites)	4.4	3.3	4.1	4.4	4.6	5.5	6.1	6.7	11.3	11.9	15.2	13.8	10.6
BMGMusicService.com	4.6	4.6	4.9	7.2	8.4	6.6	5.4	7.3	6.0	6.0	5.1	5.6	5.7

Media Metrix
Shopping domains by category

Online Competitive Traffic Data

	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Web POP (000s)	81,097	84,801	87,905	88,645	89,330	89,684	91,837	94,392	96,263	99,026	102,128	104,811	106,412
CDNow.com	6.4	4.8	5.0	5.4	4.0	5.0	5.1	5.0	4.8	5.3	4.6	4.9	5.5
CDUniverse.com	NA	NA	NA	0.1	0.1	0.1	0.2	0.4	0.6	0.3	0.3	0.4	0.6
TowerRecords.com	1.0	0.6	0.5	0.6	0.5	0.6	0.7	0.7	0.5	0.5	0.6	0.6	0.9
Total Music Reach (includes overlap)	12.0	10.0	10.4	13.3	10.0	12.3	11.4	13.4	11.9	12.1	10.6	12.5	12.7
Unique Visitors (000s)													
Amazon.com	21,053	17,158	18,046	19,249	19,163	20,016	19,972	21,576	22,950	21,692	24,298	30,326	29,995
ColumbiaHouse Sites	3,592	2,836	3,531	3,921	4,112	4,914	5,556	6,289	10,830	11,815	15,560	14,508	11,262
BMGMusicService.com	3,761	3,898	4,309	6,347	4,803	5,961	4,949	6,876	5,772	5,957	5,195	6,965	6,013
CDNow.com	5,161	4,062	4,395	4,767	3,583	4,512	4,690	4,698	4,624	5,221	4,696	5,147	5,845
CDUniverse.com	NA	NA	NA	NA	NA	NA	202	334	598	319	345	438	599
TowerRecords.com	815	531	458	512	459	539	637	617	489	471	609	642	925
Total Unique Visitors (000s)	9,737	8,491	9,162	11,626	8,845	11,012	10,478	12,525	11,483	11,968	10,845	13,192	13,382
Average Usage Days/Visits per month													
Amazon.com	2.4	2.4	2.1	2.2	2.1	2.2	2.1	2.2	2.2	2.2	2.3	2.4	2.6
ColumbiaHouse Sites	1.3	1.7	1.5	1.6	1.5	1.9	1.6	1.6	1.4	1.6	1.5	1.5	1.5
BMGMusicService.com	1.6	1.7	1.7	1.6	1.8	1.7	1.7	1.7	1.8	1.6	1.8	1.8	1.9
CDNow.com	1.9	1.9	1.9	1.9	2.3	2.1	1.8	2.0	2.0	2.0	2.2	2.1	2.0
CDUniverse.com	NA	NA	NA	NA	NA	NA	1.9	1.7	1.1	1.5	1.9	1.8	1.3
TowerRecords.com	1.3	1.7	1.9	1.6	1.4	1.2	1.5	1.3	1.5	1.4	1.2	1.2	1.4
Total Av. Usage Min. spent by month	4.8	5.3	5.5	5.1	5.5	5.0	6.9	6.7	6.4	6.5	7.1	6.9	6.6

Toys

Reach													
Amazon.com (total, not just toys)	26.0	20.2	20.5	21.7	21.5	22.3	21.7	22.9	23.8	21.9	23.8	28.9	29.1
Toys R Us	7.4	3.3	2.7	2.6	2.9	2.6	2.6	3.5	3.3	2.8	4.5	8.1	6.8
Etoys.com	7.9	3.8	3.4	3.3	2.5	2.2	2.0	2.2	2.3	1.9	2.6	1.2	1.4
KBKids.com	2.5	0.7	0.7	0.7	0.6	0.8	0.9	1.2	1.0	0.8	1.1	NA	NA
Barbie	1.1	0.7	0.7	0.7	0.6	0.6	0.9	1.0	0.9	0.8	1.0	1.5	1.2
SmarterKids.com	1.3	0.8	0.4	0.5	0.3	NA	0.3	0.2	0.3	0.2	0.4	0.5	0.6
FamilyWonder.com	0.9	0.4	0.4	0.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Toys Reach (includes overlap)	13.7	6.4	5.6	5.6	4.0	3.6	4.1	4.6	4.5	3.7	5.1	3.2	3.2
Unique Visitors													
Amazon*	21,053	17,158	18,046	19,249	19,163	20,016	19,972	21,576	22,950	21,692	24,298	30,326	30,957
Toys R Us	5,988	2,760	2,343	2,317	2,632	2,313	2,425	3,286	3,180	2,756	4,600	8,454	7,285
Etoys.com	6,381	3,263	3,007	2,962	2,221	2,011	1,827	2,114	2,198	1,915	2,621	1,286	1,480
KBKids.com	2,008	617	611	663	574	679	799	1,156	925	776	1,145	NA	NA
Barbie	900	613	588	581	504	563	797	912	904	802	980	1,578	1,237
SmarterKids.com	1,060	674	382	429	287	NA	256	221	331	209	444	568	603
FamilyWonder.com	718	374	308	391	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Unique Visitors (000s)	11,067	5,541	4,896	5,026	3,586	3,253	3,679	4,403	4,358	3,702	5,190	3,432	3,320
Average Usage Days/Visits per month													
Amazon*	2.4	2.4	2.1	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.3	2.4	2.6
Toys R Us	1.7	1.6	1.5	1.9	1.4	1.5	1.5	1.6	1.4	1.6	1.6	1.6	1.6
Etoys.com	1.8	2.3	1.9	2.1	2.0	1.9	2.4	2.4	2.3	2.1	2.3	1.6	1.5
KBKids.com	1.7	2.5	2.5	2.3	2.1	1.8	1.8	1.6	1.4	1.5	1.5	NA	NA
Barbie	1.5	1.3	1.5	1.6	1.4	1.6	1.8	1.7	1.6	1.9	1.8	1.6	1.6
SmarterKids.com	1.5	1.3	1.3	1.3	1.2	NA	1.1	1.3	1.2	1.2	1.4	1.2	1.3
FamilyWonder.com	1.3	1.4	1.5	1.2	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Unique Visitors (000s)	7.8	8.8	8.7	8.5	8.1	5.3	7.1	7.0	6.5	6.7	7.0	4.4	4.4

Video

Reach													
Amazon.com (total, not just video)	26.0	20.2	20.5	21.7	21.5	22.3	21.7	22.9	23.8	21.9	23.8	28.9	29.1
BlockBuster.com	1.2	0.8	0.6	0.6	0.6	0.5	1.2	1.0	1.1	0.9	1.4	1.5	1.7
Reel.com	0.5	0.6	0.5	0.6	0.5	0.4	0.4	0.5	0.4	0.3	0.2	0.3	0.5
VideoFlicks.com	0.4	0.5	0.5	0.6	0.5	0.6	0.4	0.7	0.4	0.5	0.4	0.6	0.6
Total Video Reach (includes overlap)	2.1	1.9	1.6	1.8	1.6	1.6	2.0	2.2	1.9	1.7	2.0	2.4	2.8
Unique Visitors (000s)													
Amazon.com	21,053	17,158	18,046	19,249	19,163	20,016	19,972	21,576	22,950	21,692	24,298	30,326	30,957
BlockBuster.com	967	724	531	545	550	453	1,095	918	1,276	843	1,412	1,582	1,861
Reel.com	429	486	492	537	460	378	353	462	361	312	215	351	485
VideoFlicks.com	351	390	416	514	461	503	357	578	377	513	455	637	590
Total Unique Visitors (000s)	1,737	1,580	1,439	1,596	1,471	1,334	1,805	2,058	1,834	1,668	2,082	2,570	2,936

Media Metrix
Shopping domains by category

Online Competitive Traffic Data

	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Web POP (000s)	81,097	84,801	87,905	88,645	89,330	89,684	91,837	94,392	96,263	99,026	102,128	104,811	**106,412**
Average Usage Days/Visits per month													
Amazon.com	2.4	2.4	2.1	2.2	2.1	2.2	2.1	2.2	2.2	2.2	2.3	2.4	**2.6**
BlockBuster.com	1.2	1.2	1.3	1.1	1.1	1.6	1.2	1.2	1.2	1.2	1.1	1.2	**1.1**
Reel.com	1.5	1.3	1.6	2.3	2.5	2.1	1.8	1.5	1.2	1.1	1.3	1.1	**1.2**
VideoFlicks.com	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1	1.3	1.1	1.0	1.1	**1.1**
Total Av. Usage Min. spent by month	3.8	3.6	4.0	4.5	4.7	4.8	4.2	3.8	3.7	3.4	3.4	3.4	**3.4**

Exhibit Q

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

sp038200888

12x9x4

amazon.com®
and you're done.™

Amazon Mailroom

Inbound Date & Time: 3/10/2004 10:18:19 AM

Name: [redacted]
Department: [redacted]

Carrier: USPS

9102049390094122649673

Amazon.com
1600 E Newlands Dr
Fernley NV 89408
USA
http://www.amazon.com/contact—us

Return Service Requested

Presorted
Media Mail
U.S. POSTAGE PAI
Amazon.com

SHIP TO: [redacted]
AMAZON.COM
P.O. BOX 81226
SEATTLE WA 98108—1226
USA

ZIP: 98108—1226

gwvu33542/1/3999/econ—us/1 of 1/sp038200888/206—266—1286/303

USPS DELIVERY CONFIRMATION

9102 0493 9009 4122 6496 73

Media Sea

amazon.com and you're done.

amazon.com and you're done.

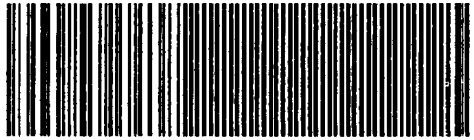
Billing Address:

[redacted]

[redacted]

Shipping Address:

[redacted]



Kirkland

Your order of January 06, 2005 (Order ID [redacted]

Qty	Item	Item Price	Total
	IN THIS SHIPMENT		
1	Vines, Grapes & Wines : The Wine Drinker's Guide to Grape Varieties Jancis Robinson Paperback 1857329996	$18.45	$18.45
1	Wine: An Introduction Simon, Joanna Hardcover 0789480638	$18.87	$18.87

http://www.amazon.com

Your Account

For detailed information about this and other orders, please visit your account. You can also print invoices, change your e-mail address and payment settings, alter your communication preferences, and much more - 24 hours a day - at http://www.amazon.com/your-account.

Returns Are Easy!

Visit http://www.amazon.com/returns to return any item - including gifts - in unopened or original condition within 30 days for a full refund (other restrictions apply). Please have your order ID ready.

Thanks for shopping at Amazon.com, and please come again!

amazon.com and you're done.

We've sent this part of your order to ensure quicker service. The other items will ship separately at no additional shipping cost.

Exhibit R

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

Thanks for your purchase.

In appreciation, we're passing along this month's special offers from some of our favorite brands. We hope you enjoy the added savings.

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COMPANY STORES

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Offer expires 1/31/03. Available in black. Constructed of 600D polyester with PVC backing. Limited-time offer. Tote 17" x 11" x 7", wheeled carry-on 20" x 14" x 7", vertical Pullman 26" x 17.5" x 8". Shipping and handling additional. Florida residents will be charged applicable sales tax. Domestic shipments only. Cannot be combined with any other discount. If you redeem this offer, Samsonite Corporation will be able to determine that you are a customer of Amazon.com and its affiliates.

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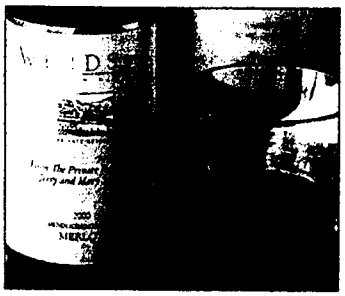

Offer expires [illegible]. Allow 2-3 weeks for delivery. Maximum 3 cases per customer. Price does not include tax or $10 shipping charge. You must be 21 years of age to order and receive wine. Void where prohibited. [illegible] Windsor Vineyards will be able to determine that you are a customer of Amazon.com and its affiliates.

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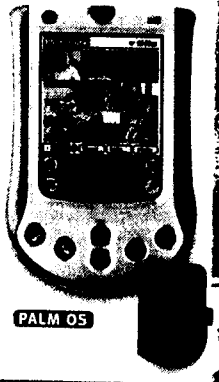

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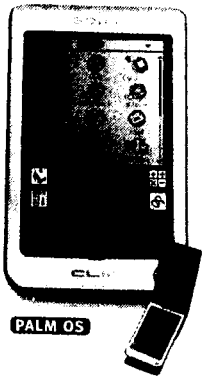

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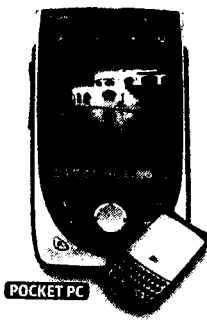

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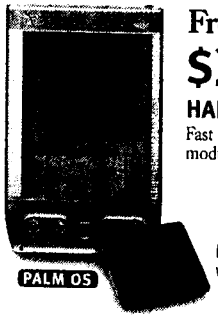

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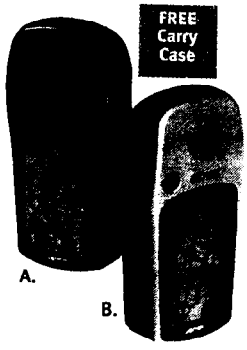

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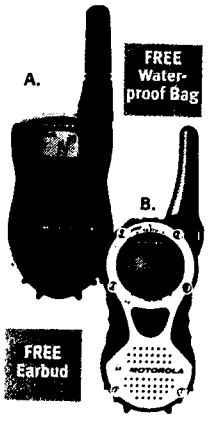

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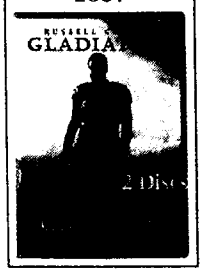

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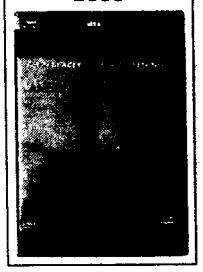

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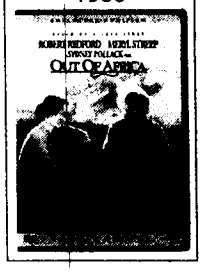

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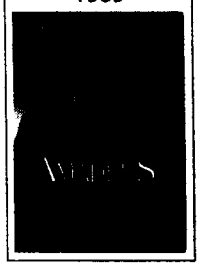

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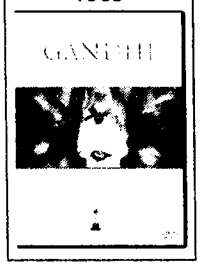

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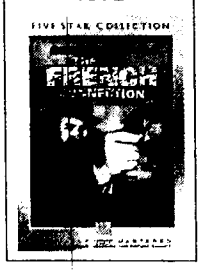

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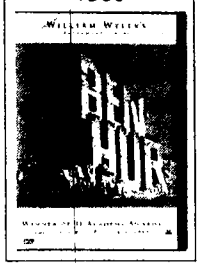

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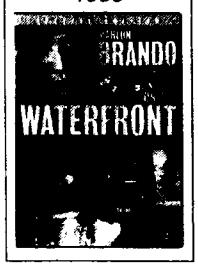

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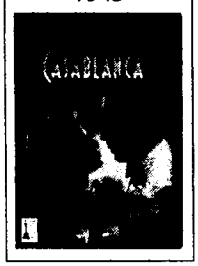

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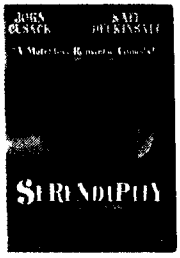

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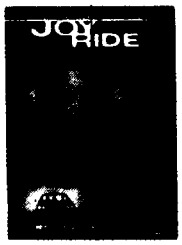

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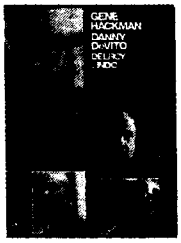

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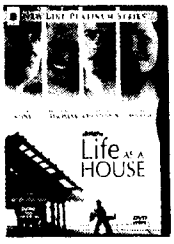

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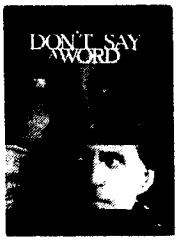

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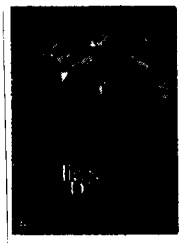

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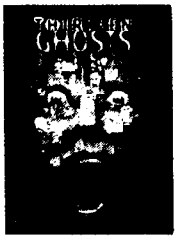

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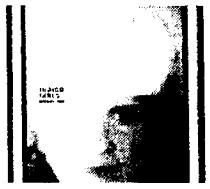

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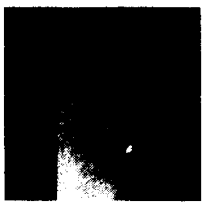

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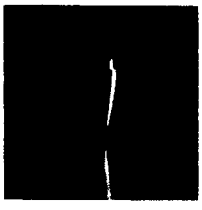

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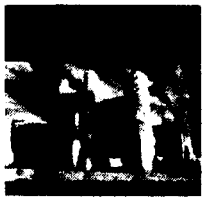

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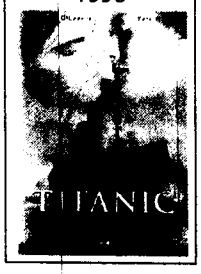

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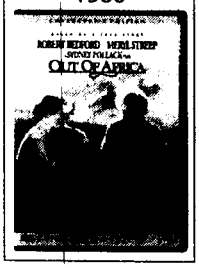

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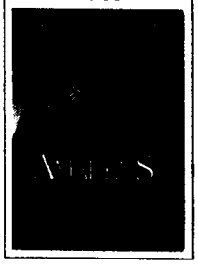

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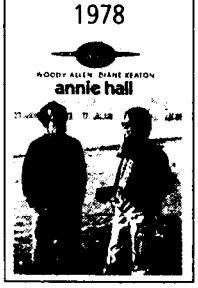

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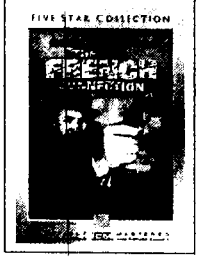

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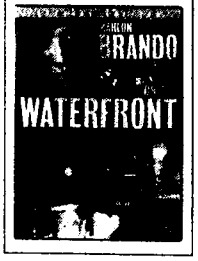

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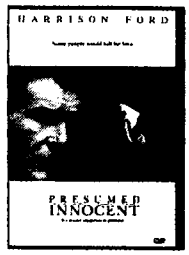

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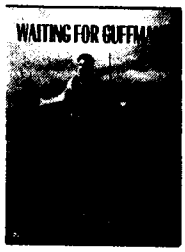

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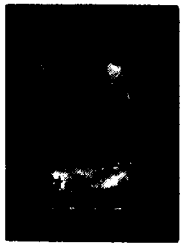

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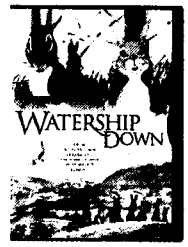

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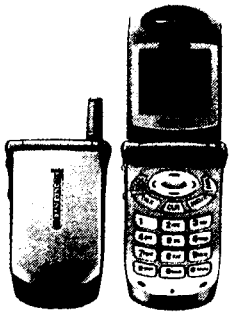

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Exhibit S

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

Advertising Used in 1998-1999

1999

TV

Dates	Geographic Location	Where
3/15/99-4/5/99	National	CNN/HDLN,CNBC,VH-1,Sci-
4/12/99-5/3/99	National	CNN/HDLN,CNBC,VH-1,Sci-
5/17/99-6/7/99	National	CNN/HDLN,CNBC,VH-1,Sci-
11/15/99-12/13/99	National	CNN/HDLN,CNBC,VH-1,Sci-
11/15/99-12/13/99	National	NFL
4/12/99-5/10/99	Local	Austin, Boston, Chicago, Denver, New York (Bridgeport, Monmouth/Ocean, Nassau/Suffolk), San Francisco, San Jose, Seattle, Washington D.C.
3/15/99-3/22/99	Academy Awards	Austin, Boston, Chicago, Denver, New York (Bridgeport, Monmouth/Ocean, Nassau/Suffolk), San Francisco, San Jose, Seattle, Washington D.C.
6/14/99-6/21/99	AFI Award	Austin, Boston, Chicago, Denver, New York (Bridgeport, Monmouth/Ocean, Nassau/Suffolk), San Francisco, San Jose, Seattle, Washington D.C.
11/15/99-12/13/99	Local	Austin, Boston, Chicago, Denver, Los Angeles, New York (Bridgeport, Monmouth/Ocean, Nassau/Suffolk), San Francisco, San Jose, Seattle, Washington D.C.
11/22/99-12/13/99	Local	Atlanta, Baltimore, Dallas, Houston, Miami, Minneapolis, Philadelphia, Phoenix, Portland, San Diego, Cincinnati, Charlotte, Colmubus, OH, Detroit, Hartford-New Haven, Indianapolis, Kansas City, Milwaukee, Orlando, Pittsburgh, Raleigh-Durham, Sacramento, Salt Lake City, W. Palm Beach, Albany, NY, Madison, WI, Providence, RI, Rochester, NY, Syracuse, NY
4/19/99-11/15/99; 12/20-12/27/99	Spot T.V. - Antique Roadshow	Denver, Austim

Radio

4/19/99-5/24/99	Spot Radio-Auction	York, Seattle, Washington D.C., San
5/17/99-5/24/99	National	News plus programming
7/5/99-7/19/99	National	News plus programming
8/2/99-8/16/99	National	News plus programming
8/30/99-9/13/99	National	News plus programming

PRINT 1999

3D Artist Magazine
Architectural Digest
Art & Auction
Atlanta Journal Constitution
Austin American Statesman
Baltimore Sun
Barbie Bazaar
Beanie World
BH&G
Boston Globe
Business Week (Demo)
Buyer's Alert
CCM Magazine
Charisma
Chemical Engineering
Chicago Tribune
Chicago Tribune Magazine
Christian Parenting Today
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Classic Toy Train
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Comics Buyer's Guide
Contra Costa Times
Country Living, Time (Demo),
Daily Telegraph
Dallas Morning News
Denver Post
Denver Rocky Mountain News
Discipleship Journal
Doll Reader
Dolls (The Collector's Magazine)
Dr. Dobb's Journal
Entertainment Wkly.
FAZ
Figurines & Collectibles
Financial Times
Forbes
Fort Worth Star-Telegram
Good Housekeeping
Gramaphone
Hartford Courant
Help
Home
Houston Chronicle
IEEE Spectrum Magazine
IHT
JAMA
Jazziz
Joy of Collecting
LA Times Magazine
Linux Journal
Los Angeles Times
Los Angeles Times Magazine
Martha Stewart Living
Mechanical Engineering
Metropolitan Home
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Minneapolis Star Tribune
Money
Movieline
NASA Tech Briefs
Nature
New Eng. Jnl of Medicine
New Haven Register
New Man
New York Magazine
New York Times
New York Times Magazine
New Yorker
Newsweek
NY Times Magazine
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Phoenix Arizona Republic
Photonics Spectra
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TIME
TIME International
Today's Christian Woman
Toy Cars & Vehicles
Toy Fare
Toy Shop
Travel & Leisure
Tuff Stuff
USA Today
Wall Street Journal
Washington Post
Whites Guide to Collecting Figures
Widescreen Review
Wizard
Working Mother

1998

TV

Dates	Geographic Location	Where
2/2/98-2/16/98; 2/23/98-3/9/98, 3/23/98-4/6/98	Spot T.V.	Seattle, San Fran, Chicago
2/2/98-2/16/98; 2/23/98-3/9/98, 3/23/98-4/6/98	Spot T.V.	Boston, New York
5/4/98-5/18/98, 6/1/98-6/15/98	Spot T.V.	Boston, New York
5/4/98-5/18/98, 6/1/98-6/15/98	Spot T.V.	San Fran, Chicago, WDC, Los Angeles
5/4/98-5/18/98	Spot T.V.	Austin, Denver, Atlanta, San Diego
4/20-98-4/27-98	National - Learning Channel	
5/4/98-5/18/98, 6/1/98-6/22/98	National - 7-10 Networks	

Radio

1/5/98-1/19/98, 8/17/98-8/31/98, 11/23/98-12/14/98	Spot Radio	Boston, New York, San Fran, Chicago, WDC, Los Angeles, Seattle
2/2/98-2/16/98, 2/23/98-3/9/98, 3/23/98-4/6/98	Spot Radio	WDC, Los Angeles
9/7/98-9/28/98	Spot Radio	Boston
9/7/98-9/28/98, 10/19/98-11/9/98, 11/23/98-12/14/98	Spot Radio	San Diego, Baltimore, Minneapolis, Denver, Dallas, Austin, Portland
10/19/98-11/9/98	Spot Radio	Miami, Sacramento
6/22/98-7/6/98, 7/13/98-7/20/98, 7/27/98-8/3/98	Spot Radio	Boston, New York, San Fran, Chicago, WDC, Los Angeles, Seattle
4/20/98-10/19/98	National	
3/16/98-12/31/98	National	
5/4/98-5/18/98, 6/1/98-7/6/98, 8/31/98-9/28/98,	National	
10/19/98-11/9/98, 11/23/98-12/14/98	National	
5/25/98-7/6/98, 7/27/98-9/28/98,	Howard Stern	
10/5/98-10/26/98, 11/23/98-12/14/98	Howard Stern	

PRINT 1999

Alternative News Weeklies
Boston Business Journal
Dr. Dobbs
Entertainment Weekly
Entrepreneur's Home Office
International Herald Tribune
Kiplinger's Personal Finance
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New York Times
New York Times Book Review
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PC Computing
PC Magazine
People
People
Puget Sound Business Journal
Rolling Stone
San Jose Business Journal
Seattle Times Magazine
Sesame Street Parents
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The New Yorker
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USA Today
Wall Street Journal International

Exhibit T

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

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Exhibit U

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

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Oprah Winfrey Raises More Than $130,000 in a Special Benefit Auction at Amazon.com

Oprah gets lesson in online auctions from Amazon.com founder and CEO Jeff Bezos

Proceeds benefit "Oprah's Angel Network"

SEATTLE, October 7, 1999-- During a special, two-hour benefit auction at Amazon.com on October 2, 1999, Oprah Winfrey raised more than $130,000, benefiting "Oprah's Angel Network." Amazon.com founder and CEO, Jeff Bezos, guided Oprah through the complete Internet auction experience during a taping for Winfrey's upcoming new show Oprah Goes Online debuting February 2000 on the Oxygen Cable Network. The 12-part series will follow Oprah and longtime friend, Gayle King, as they learn how to navigate the Internet.

Over only a two-hour period, bids were received on 25 items, with a lunch with Oprah and Gayle commanding the highest price of $42,100 and the highest amount of bids.

Other top selling items included backstage passes and tickets to "The Oprah Winfrey Show," which received a price of $10,100, Oprah's autographed computer (the one on which she is learning to use the Internet) for $6,300 and a complete make-over with Oprah's personal stylists for $4,001.

Some of the other more highly sought after auction items were a chair from the set of "The Oprah Winfrey Show" which went for $4,850, a signed script from Beloved for $4,346, and Oprah's bicycle and equipment for $3,150.

Contributing to the cause, Bezos competed fervently for Oprah to record a personal answering machine message, and won it for $18,600. He also put up for auction an Olympus Stylus Epic 35mm Camera, complete with pictures of himself with Oprah and Gayle from the filming of Oprah Goes Online. Proceeds from the camera also benefit "Oprah's Angel Network."

"I am amazed at how many items there are available through Internet auctions and this event with Amazon.com was very exciting," said Oprah. "I thank everyone for their support. Since every penny goes directly to those in need, you all helped make a difference in just two hours."

"I want to thank everyone who supported this auction with such generosity and enthusiasm," said Bezos. "I hope everyone will enjoy their auction winnings and feel good about their contribution to 'Oprah's Angel Network'."

All auction proceeds will be donated to "Oprah's Angel Network," a campaign launched by Oprah in 1997. Proving that small acts of kindness create astounding

results, "Oprah's Angel Network" is celebrating its third season of making a difference in people's lives. Since it was founded, "Oprah's Angel Network" has raised over $3.5 million for college scholarships, built 145 Habitat for Humanity homes across the country, and embraced a host of other mini-miracles.

About Amazon.com, Inc.

Amazon.com, Inc. (NASDAQ: AMZN), the Internet's No. 1 music, No. 1 video, and No. 1 book retailer, opened its virtual doors on the World Wide Web in July 1995 and today offers Earth's Biggest Selection with online auctions, toys, electronics, free electronic greeting cards, and more than 4.7 million book, music-CD, video, DVD, and computer-game titles. Amazon.com seeks to be the world's most customer-centric company, where people can find and discover anything they may want to buy online. As part of its efforts to provide the best shopping experience for customers, Amazon.com provides secure credit-card payment, personalized recommendations, streamlined ordering through 1-Click technology, and hassle-free auction bidding with Bid-Click.

Amazon.com operates two international Web sites: www.amazon.co.uk in the United Kingdom and www.amazon.de in Germany. Amazon.com also operates PlanetAll (www.planetall.com), a Web-based address book, calendar, and reminder service. It also operates the Internet Movie Database (www.imdb.com), the Web's comprehensive and authoritative source of information on more than 150,000 movies and entertainment programs and 500,000 cast and crew members dating from the birth of film in 1892 to the present. Amazon.com also operates LiveBid.com (www.livebid.com), the sole provider of live-event auctions on the Internet.

In addition, Amazon.com has invested in leading Internet retailers that are improving the lives of customers by making shopping easier and more convenient: drugstore.com, an online retail and information source for health, beauty, wellness, personal care and pharmacy, at www.drugstore.com; Pets.com, the online leader for pet products, expert information, and services, at www.pets.com; HomeGrocer.com, the first fully integrated Internet grocery-shopping and home-delivery service, with operations in Seattle and Portland, Oregon, at www.homegrocer.com; and Gear.com, which offers brand-name sporting goods at prices from 20 to 90 percent off retail, at www.gear.com.

This announcement contains forward-looking statements that involve risks and uncertainties that include, among others, Amazon.com's limited operating history, anticipated losses, unpredictability of future revenues, potential fluctuations in quarterly operating results, seasonality, consumer trends, competition, risks of system interruption, management of potential growth, risks related to auction services, and risks of new business areas, international expansion, business combinations, and strategic alliances. More information about factors that potentially could affect Amazon.com's financial results is included in Amazon.com's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 1998 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 1999 and June 30, 1999.

About "Oprah's Angel Network"

Oprah founded "Oprah's Angel Network" in 1997 as a way to encourage her viewers to make the world a better place to live. Launched with the very successful "World's Largest Piggy Bank," Oprah raised over $3.5 million in spare change from her viewers and through private donations to send 150 students in need to college. Also during its first season, "Oprah's Angel Network" launched a campaign with Habitat for Humanity to build nearly 200 "Oprah Houses" across the country. "We want you to really begin to open up your eyes, notice people around you, and look for ways to

help those in need," says Oprah.

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Amazon.com Adds New Items and Incentives for Final Days of American Red Cross Kosovo Charity Auction

Signed Books from Stephen King and George Stephanopoulos Added to Charity Auction List--UPS Donates Charity-Item Shipping Costs

SEATTLE, May 11--/PRNewswire/--Nearing the finale of its online charity auction to raise funds for the American Red Cross's efforts for Kosovo, Amazon.com (NASDAQ: AMZN) announced today the addition of celebrity items and a donation from United Parcel Service of up to $10,000 in shipping costs.

The Kosovo auction will conclude May 13, but not before auction fans and participants eager to contribute to the relief effort can bid on specially signed books and other affordable merchandise. The UPS shipping donation applies to these and all Kosovo-charity items with auctions closed since April 30.

Amazon.com has donated hundreds of items to this auction and will contribute 100 percent of the proceeds to the Kosovo-relief effort. Since April 12, more than $25,000 has been raised by Amazon.com Auctions to support the cause that brought together five leading auction companies. The charity auctions are designed to assist the Red Cross in its effort to provide humanitarian needs to the estimated 300,000 Kosovar refugees.

"We've been amazed and pleased by the generosity we've seen from our customers," said Joel Spiegel, general manager of Amazon.com Auctions. "Many of our charity items have been selling well beyond their retail prices as a result of our customers' desire to contribute to this worthwhile cause."

Starting today, new items that will be listed for auction include a signed copy of Stephen King's *Bag of Bones* and George Stephanopoulos's *All Too Human*, as well as an inscribed copy of *Cryptonomicon*, by Neal Stephenson, currently No. 3 on the Amazon.com 100 Hot Bookslist.

Visitors can obtain information about ongoing auctions and the items currently up for bid, such as toys, games, watches, cameras, and Palm Pilots, at www.amazon.com/auctions. Visitors are encouraged to donate to the American Red Cross, whether they choose to bid on items. Instructions for doing so can be found at www.amazon.com/auctions.

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Amazon.com Hosting Celebrity Charity Auction To Benefit Fight Against Breast Cancer

Amazon.com Auctions Joins Harley-Davidson and the American Cancer Society in a Major Celebrity Auction and Rock Concert Fundraiser

SEATTLE, June 4--/PRNewswire/--Amazon.com Auctions is hosting an online auction of celebrity-signed items as part of the "Rock and Roar for a Cure" fundraiser being held by Harley-Davidson and the American Cancer Society. Rock and Roar for a Cure includes a celebrity auction and rock concert to raise funds for the American Cancer Society to aid in the fight against breast cancer.

At Amazon.com Auctions, now through June 14, 1999, collectors and auction enthusiasts can place bids on many items autographed by popular television, soap-opera, and sports celebrities. Proceeds will benefit the American Cancer Society. A partial list of items includes:

- The ultimate Harley-Davidson motorcycle, a 1999 FLSTF Fat Boy Softail, signed by all the celebrities, sports figures, and stars who participate in the event
- Motorcycle helmet, autographed by Jay Leno
- Final episode of *Mad About You* script, signed by various cast members
- *Days of Our Lives* script, signed by the entire cast
- Black-and-white, autographed photo of Leonardo DiCaprio with a calendar
- Autographed copy of John Grisham's *The Testament*
- Autographed photo of Mariah Carey
- Autographed photo of Denzel Washington
- Autographed cast photo from *Fraiser*, signed by the entire cast
- Autographed photo of Heather Locklear
- Autographed *X-Files* movie poster signed by Gillian Anderson
- Autographed copy of Crystal Waters and Dennis Rodman's recording "Just a Freak"

"This is a great opportunity for fans to own items signed by their favorite celebrities and to support a great cause in the process," said Joel Spiegel, vice president and general manager, Amazon.com Auctions. "But get ready to bid, because I have my eye on the Harley."

Rock and Roar for a Cure is being held on June 5 in New York City. The evening begins with a celebrity and VIP cocktail party and preauction preview onboard the leisure yacht Diplomat, docked pier-side at the Chelsea Piers. The party will be followed by a celebrity auction event in the Chelsea Pier Park area from 7 to 9 p.m., and will conclude with a summertime Pier concert by Meat Loaf from 9:30 to 11 p.m. Tickets to the auction and concert are available from Ticketmaster for $40, with all

proceeds going to the American Cancer Society. Those who cannot attend the event can go to www.amazon.com/auctions to bid on their favorite celebrity items.

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In addition, Amazon.com has invested in leading Internet retailers that are improving the lives of customers by making shopping easier and more convenient: drugstore.com, a complete online provider of health, beauty, wellness, and prescription-drug products, at www.drugstore.com; Pets.com, the largest pet-supply company on the Internet and a valuable source of free information for pet owners, at www.pets.com; HomeGrocer.com, the first fully integrated Internet grocery-shopping and home-delivery service, with operations in Seattle and Portland, Oregon, at www.homegrocer.com.

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Amazon.com to Donate Profits from Christopher Reeve's Still Me to the Christopher Reeve Foundation

Earth's Biggest Bookstore Raises Awareness and Funding for Spinal Cord Injury Research

SEATTLE, WA (April 27, 1998)--To celebrate the release of Christopher Reeve's courageous life story, *Still Me*, leading online bookseller Amazon.com (Nasdaq: AMZN) announced today that it will donate the profits from the book's first two weeks of sales to the Christopher Reeve Foundation. Through the donation, Earth's Biggest Bookstore is hoping to raise awareness and funding to help find a cure for spinal cord injury paralysis.

In *Still Me*, Reeve describes with dignity and sensitivity, the journey he has made--physically, emotionally, and spiritually-- since his devastating horse riding accident. He explores his complex relationship with his parents, his efforts to remain a devoted husband and father, and his brave battle to rebuild his life.

Still Me will be available for sale on the Amazon.com Web site (www.amazon.com) starting April 28. Visitors to Amazon.com will also be able to read the first chapter of the book. Additionally, Amazon.com will feature an in-depth interview with Christopher Reeve on the Web site on May 2.

"We are all very happy here at the foundation that Amazon.com is going to donate profits from sales of the book," said Christopher Reeve. "Amazon.com is a great example of the way a for-profit organization can do the right thing in the course of business."

"As a leading online retailer, we recognize the power of the Internet to vastly improve the lives of people with disabilities," said David Risher, Amazon.com's Senior Vice President of Product Development. "Christopher Reeve is an American hero, and we are proud to support his efforts."

About Christopher Reeve Foundation

The Christopher Reeve Foundation exists only through the absolute confidence that a cure is possible for those whose lives have been affected as a result of spinal cord injury. This confidence is personified by Mr. Reeve and his heroic efforts to overcome his own injury. The Christopher Reeve Foundation's mission is: To raise funds for research leading to effective treatments and, ultimately, a cure for spinal cord injury paralysis. To provide grants to local agencies which focus on the quality of life for the disabled. To serve as a source of information and advocacy for disabled persons. Until recently, there wasn't much hope for a paralysis cure. But today, thanks in large measure to the American Paralysis Association, there is a reason to hope. For 13 years, APA has been dedicated exclusively to funding research worldwide to find a cure for paralysis caused by spinal cord injury and other central nervous system

disorders. The Christopher Reeve Foundation serves as the fundraising arm of the American Paralysis Association. The two organizations are united by one goal: to find a cure for spinal cord injury.

Christopher Reeve Foundation: P.O. Box 277, F.D.R. Station, New York, NY 10150-0277, phone: (888) 771-HOPE, fax: (973) 912-9433.

About Amazon.com, Inc.

Amazon.com Inc., Earth's Biggest Bookstore, is the largest online retailer of books. Amazon.com offers a catalog of more than 3 million book, music and other titles, plus easy-to-use search and browse features, e-mail services, personalized shopping services, secure Web-based credit card payment, and direct shipping to customers. Amazon.com has virtually unlimited online shelf space and offers customers a vast selection through an efficient search-and-retrieval interface, as well as streamlined ordering through 1-ClickSM technology. Amazon.com pioneered the concept of syndicated selling on the Internet and has more than 40,000 members in its Associates Program including AOL.com, Yahoo!, Netscape, Excite, the AltaVista Search Service, the @Home Network, the Prodigy Shopping Network, and iVillage.

Amazon.com is headquartered at 1516 Second Avenue, Seattle, WA 98101. Internet address: http://www.amazon.com. Telephone: (206) 622-2335.

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Exhibit V

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

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Operating Agreement

This Agreement contains the complete terms and conditions that apply to an individual's or entity's participation in the Amazon Services, Inc. Associates Program (the "**Program**"). As used in this Agreement, "**we**", "**us**", or "**our**" means Amazon Services, Inc. or any of our affiliate companies, as the case may be, and "**you**" means the applicant. "**Amazon.com Site**" means the site that has its primary home page identified by the URL www.amazon.com, and "**site**" means a World Wide Web site. "**Your site**" means any site that you will link to the Amazon.com Site (and which you will identify in your Program application)

1. Enrollment in the Program

To begin the enrollment process, you will submit a complete Program application via the Amazon.com Site. We will evaluate your application in good faith and will notify you of its acceptance or rejection. We may reject your application if we determine (in our sole discretion) that your site is unsuitable for the Program. Unsuitable sites include those that:

- promote sexually explicit materials
- promote violence
- promote discrimination based on race, sex, religion, nationality, disability, sexual orientation, or age
- promote illegal activities
- include "amazon," any other trademark of Amazon Services or its affiliates, or variations or misspellings of any of them, in their URLs to the left of the top-level domain name (e.g., ".com", ".net", ".uk", etc.) -- for example, a URL such as "amazon.mydomain.com", "amaozn.com" or "amazonauctions.net" would be unsuitable
- otherwise violate intellectual property rights.

By participating in the Program you agree that you will not engage in any such activities. If we reject your application, you are welcome to reapply to the Program at any time. You should also note that if we accept your application and your site is thereafter determined (in our sole discretion) to be unsuitable for the Program, we may terminate this Agreement.

2. Links on Your Site

Once you have been notified that your site has been accepted into the Program, you may provide on your site one or more of the following types of links to the Amazon.com Site:

Product Links: You may select one or more Products to list on your site. A "**Product**" is any product listed on the Amazon.com Site that is fulfilled by us or on our behalf, or any product sold by a third party seller on the Amazon.com Site other than: (a) products sold through our "Auctions" and "zShops" services (or any successors thereto); (b) products sold by the Gap, Old Navy, Lands' End or Nordstrom ("**Excluded Merchants**"); (c) products sold by a third party

through a site linked to from the Amazon.com Site (e.g. CarsDirect.com products); and (d) any wireless service plan offered through the Amazon.com Site and not sold and fulfilled by us. For each selected Product, you will display on your site a short description, review, or other reference. You will be responsible for the content, style, and placement of these references. You will provide a Special Link (as defined below) from each Product reference on your site to the corresponding Amazon.com Site online catalog entry. Each such link will connect directly to a single item in our online catalog. You may add or delete Products (and related links) from your site at any time without our approval. Special Links that individually link to specific Products as described above are referred to as "**Product Links**." You may not use Special Links to link to the Amazon.com Site from references to products on your site that are not "Products" as defined above.

Search Box Link: You may provide an Amazon.com Site search box on your site that will permit your site visitors to link directly to a page on the Amazon.com Site that contains the results of their search queries. We will provide you with technical specifications describing how to include an Amazon.com Site search box on your site.

General Link to Amazon.com Site Home Page: You may provide a general link on your site to the home page of the Amazon.com Site.

Amazon Recommends™ Link: If your site qualifies (as determined by us in our sole discretion), you may place an Amazon Recommends link on your site to enable Amazon Services to serve recommended content based on your site's specialty or sales history directly to visitors to your site.

Quick-Click™ Link: In conjunction with Product links on your site, you may provide a Quick-Click link that, when clicked, will open a new browser window through which recognized visitors of your site can add Products to their shopping cart and/or purchase Products directly via our 1-Click™ feature. We will provide you with technical specifications describing how to include a Quick-Click link on your site. If you choose to provide a graphical Quick-Click link, you agree that you will only use the graphical artwork we serve or otherwise provide only to you to identify the Quick-Click link. If you choose to provide a text-only Quick-Click link, you agree that the text of the link will read "Buy from Amazon.com" and include no other or different text unless otherwise specified by us.

Easy Link: You may provide an "**Easy Link**" on your site, which is a Special Link through which we may serve content as we deem appropriate. If you choose to provide a graphical Easy Link, you agree you will use the graphical artwork we serve or otherwise provide to you only to identify the Easy Link. If you choose to provide a text-only Easy Link, you agree you will not alter the text we serve or otherwise provide to you to identify the Easy Link.

Search Results Link: You may provide a link on your site that will link to a particular search result on the Amazon.com Site, the parameters of which will be determined by you based on search generating alternatives we make available to you.

Any Page Link: You may provide a link on your site that will link to any

particular page on the Amazon.com Site, provided that you properly use the special link formats provided on the Amazon.com Site as part of the Program to create such link.

We will provide you with guidelines and graphical artwork to use in linking to the Amazon.com Site home page. To permit accurate tracking, reporting, and referral fee accrual, we will provide you with special "tagged" link formats to be used in all links between your site and the Amazon.com Site (and for purposes of this Agreement, the browser window described above that opens upon a user's clicking on a Quick-Click link is deemed a part of the Amazon.com Site, and any Quick-Click link is deemed a link between your site and the Amazon.com Site). You must ensure that each of the links between your site and the Amazon.com Site properly utilizes such special link formats. Links to the Amazon.com Site placed on your site pursuant to this Agreement and which properly utilize such special link formats are referred to as **"Special Links."** You will earn referral fees only with respect to activity on the Amazon.com Site occurring directly through Special Links; we will not be liable to you with respect to any failure by you to use Special Links, including to the extent that such failure may result in any reduction of amounts that would otherwise be paid to you pursuant to this Agreement.

You acknowledge that, by participating in the Associates Program and placing any of the above links within your site, we may receive information from or about visitors to your site or communications between your site and those visitors. Your participation in the Program constitutes your specific and unconditional consent to and authorization for our access to, receipt, storage, use, and disclosure of any and all such information, consistent with the policies and procedures set forth in the Privacy Notice on the Amazon.com Site.

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Further, you acknowledge and agree that you will: (a) not, in connection with this Agreement, display or reference on your site, any trademark or logo of any third party seller on the Amazon.com Site; (b) use any data, images, text, or other information obtained by you from us or the Amazon.com Site in connection with this Agreement (**"Content"**) only in a lawful manner and only in accordance with the terms of this Agreement; (c) not use any Content relating to any Excluded Merchant or any product sold by any Excluded Merchant; (d) not modify or alter any Content that consists of a graphic image, other than to resize it; (e) not edit any Content that consists of text, other than to shorten its length; (f) not sell, redistribute, sublicense or transfer any Content; (g) not use any Content in a manner intended to send sales to any site other than the Amazon.com Site; and (h) promptly delete any Content that is no longer displayed on the Amazon.com Site or that we notify you is no longer available for your use.

3. Order Processing

We will process Product orders placed by customers who follow Special Links from your site to the Amazon.com Site. We reserve the right to reject orders that do not comply with any requirements that we may establish periodically. We will be responsible for all aspects of order processing and fulfillment. Among other things, we will prepare order forms, process payments, cancellations, and returns, and handle customer service. We will track sales made to customers who purchase Products by using Special Links from your site to the Amazon.com Site and will make available to you reports summarizing this sales activity. The form, content, and frequency of the reports may vary from time to time in our discretion.

4. Referral Fees

We will pay you (in accordance with Sections 5 and 6 below) referral fees on certain Product sales to third parties. For a Product sale to be eligible to earn a referral fee, the customer must click-through a Special Link from your site to the Amazon.com Site, and add the Product to his or her shopping cart or purchase the Product via our 1-Click™ feature during a session. The session ends upon one of the following events: (a) 24 hours elapses from the customer's initial click-through, (b) the customer orders the Product, or (c) the customer follows a third party's Special Link. We will only pay referral fees on eligible Products after order, payment and shipping have occurred.

We will not, however, pay referral fees on any Products that are added to a customer's Shopping Cart or are purchased via our 1-Click™ feature after the customer has reentered the Amazon.com Site (other than through a Special Link from your site), as determined by us, even if the customer previously followed a link from your site to the Amazon.com Site. In addition, gift certificates are not eligible to earn referral fees.

You may not purchase products during sessions initiated through the links on your site for your own use, for resale or commercial use of any kind. This includes orders for customers or on behalf of customers or orders for products to be used by you or your friends, relatives, or associates in any manner. Such purchases may result (in our sole discretion) in the withholding of referral fees and/or the termination of this Agreement. Products that are eligible to earn referral fees under the rules set forth above are referred to as "**Qualifying Products**."

In addition, you may not: (a) directly or indirectly offer any person or entity any consideration or incentive (including, without limitation, payment of money (including any rebate), or granting of any discount or other benefit) for using Special Links on your site to access the Amazon.com Site (e.g., by implementing any "rewards" program for persons or entities who use Special Links on your site to access the Amazon.com Site); (b) read, intercept, record, redirect, interpret, or fill in the contents of any electronic form or other materials submitted to us by any person or entity; (c) in any way modify, redirect, suppress, or substitute the operation of any button, link, or other interactive feature of the Amazon.com Site; (d) make any orders or subscription requests, or engage in other transactions of any kind on the Amazon.com Site on behalf of any third party, or authorize, assist, or encourage any other person or entity to do so; (e) take any action that could reasonably cause any customer confusion as to our relationship with you, or as to the site on which any functions or transactions

(e.g., search, order, browse, and so on) are occurring; (f) post or serve any advertisements or promotional content around or in conjunction with the display of the Amazon.com Site (e.g., through any "framing" technique or technology or pop-up windows), or assist, authorize, or encourage any third party to take any such action; (g) attempt to circumvent the referral fee schedule or artificially increase your referral fees (e.g. by intentionally featuring, purchasing or requesting or encouraging any third party to purchase low-price items offered on the Amazon.com Site (as determined by us) for the purpose of exceeding any referral fee threshold); (h) attempt to intercept or re-direct (including, without limitation, via user-installed software) traffic from or on, or divert referral fees from, any web site that participates in the Program; or (i) seek to purchase or register any keywords, search terms or other identifiers that include the word "amazon" or variations thereof (for example "ammazon", "amaozn", etc.) or any of the phrases "Toys 'R US", "Sports 'R Us", "Babies 'R Us" or "Imaginarium" or variations thereof (e.g., "ToysRUs", "SportsRUs", "Toys "R" Us", "toysrus.com", "imaginarium.com", "Babies Are Us", "Imaginearium", etc.) for use in any search engine, portal, sponsored advertising service or other search or referral service. If we determine, in our sole discretion, that you have engaged in any of the foregoing activities, we may (without limiting any other rights or remedies available to us) withhold any referral fees otherwise payable to you under this Agreement and/or terminate this Agreement.

5. Referral Fee Schedule

For Qualifying Products sold during sessions initiated through Special Links on your site, you will earn (subject to the other terms of this Agreement) referral fees in accordance with the "Classic Fee Structure" described under "Option 1" below unless you affirmatively elect to participate in the Tiered Fee Structure described under "Option 2" below by communicating your election to us via the signup page located at https://associates.amazon.com/exec/panama/associates/resources/payments/plan-select/104-9262298-6463965 during the period between the close of each calendar quarter and the 20th day of the first month of the next calendar quarter (or the next business day after the 20th if the 20th does not fall on a business day). If you do not make an affirmative election to participate in the Tiered Fee Structure in the manner described above, you will earn (subject to the other terms of this Agreement) referral fees for the entire quarter in accordance with the Classic Fee Structure. If you elect to participate in the Tiered Fee Structure, you will earn referral fees as set forth under "Option 2" below beginning in the calendar quarter in which you make your election.

Option 1: Classic Fee Structure.

For Qualifying Products sold during sessions initiated through Special Links on your site, you will earn (subject to the other terms of the Agreement):

(a) 5% of Qualifying Revenues (defined below) from sales of all Amazon Qualifying Product (defined below) units other than Electronics Product (defined below) units and 4% of Qualifying Revenues from sales of all Amazon Qualifying Product units that are Electronics Product units;

(b) 5% of all TRU Qualifying Product (defined below) units; and

(c) 2.5% of Qualifying Revenues from sales of all Third Party Qualifying

Product (defined below) units other than Specified Category Product (defined below) units and 5% of Qualifying Revenues from sales of all Third Party Qualifying Product units that are Specified Category Product units.

In addition to any amounts you might earn under sub-paragraphs (a), (b) and (c) above, you will earn (subject to the other terms of the Agreement):

(x) an additional 1% of Qualifying Revenues from sales of all Qualifying Product units sold during sessions initiated through Easy Links on your site;

(y) an additional 2.5% of Qualifying Revenues from sales of all Qualifying Product units sold during sessions initiated through Product Links on your site; and

(z) an additional 2.5% of Qualifying Revenues from sales of all Qualifying Product units that are Specified Category Product units sold during sessions initiated through Special Links on your site.

Notwithstanding the foregoing, referral fees for all Qualifying Product units (other than books, music, video (including VHS and DVD) and Electronics Product units) are limited to a maximum of $10 per unit, regardless of the Qualifying Revenues derived from the sale of any such unit. The classification of any Qualifying Products unit (e.g., as a music or non-music product unit) will be determined by us in our sole discretion.

"**Qualifying Revenues**" are revenues derived by us from our sales of Qualifying Product units, excluding costs for shipping, handling, gift-wrapping, taxes, service charges, credit card processing fees, returns and bad debt. An "**Amazon Qualifying Product**" is a Qualifying Product (including a Specified Category Product) that is sold and fulfilled by us or on our behalf. An "**Electronics Product**" is a Qualifying Product that is offered for sale in the "Electronics" section of the Amazon.com Site and does not include any product offered for sale in any section of the Amazon.com Site other than the "Electronics" section (notwithstanding that a user may navigate to such product from the "Electronics" section) unless such product is also offered for sale in the "Electronics" section. A "**Specified Category Product**" is a Qualifying Product that is offered for sale in the "Apparel & Accessories", "Sporting Goods", "Gourmet Food" or "Jewelry & Watches" sections of the Amazon.com Site and does not include any product offered for sale in any section of the Amazon.com Site other than the "Apparel & Accessories", "Sporting Goods", "Gourmet Food" or "Jewelry & Watches" sections (notwithstanding that a user may navigate to such product from any such section). A "**Third Party Qualifying Product**" is a Qualifying Product (including a Specified Category Product) that is sold and fulfilled by a third party. A "**TRU Qualifying Product**" is a Qualifying Product that is sold by or under the brand names of ToysRUs.com, BabiesRUs.com or Imaginarium.com. The term "**section**" as used above in the Electronics Product and Specified Category Product definitions means a group of pages on the Amazon.com Site that primarily contains content related to a discrete category of products available on the Amazon.com Site and that is accessible through a top-level product category identifier (or tab) located on the home page of the Amazon.com Site that identifies such discrete category of products. The classification of any Qualifying Products (e.g., as an Electronics Qualifying Product or Specified Category Qualifying Product) will be

determined by us in our sole discretion

Option 2: Tiered Fee Structure.

For Qualifying Products sold during [illegible] initiated through Special Links on your site:

(a) subject to the other terms of the Agreement, you will earn referral fees in accordance with the Classic Fee Structure; and

(b) subject to the other terms of the Agreement, you will earn (or, in the case of Tier 1 below, we will deduct) referral fees based on Eligible Earnings (as defined below) in accordance with the following table (such referral fees, **"Eligible Earnings Referral Fees"**):

Tier	Total Qualifying Product units sold in a calendar quarter	Minimum number of non-book, music or video (incl. VHS and DVD) Qualifying Products sold in that calendar quarter	Eligible Earnings Referral Fees
1	1-35 units	0	-20% of Eligible Earnings
2	36-100 units	1	0% of Eligible Earnings
3	101-250 units	5	5% of Eligible Earnings
4	251-750 units	15	10% of Eligible Earnings
5	751-1,600 units	50	15% of Eligible Earnings
6	1,601-3,700 units	120	20% of Eligible Earnings
7	3,701-7,500 units	350	25% of Eligible Earnings
8	7,501+ units	1,000	30% of Eligible Earnings

"Eligible Earnings" are any Base Referral Fees (defined below) you may earn in any calendar quarter based on Qualifying Revenues from the sale in that calendar quarter of Amazon Qualifying Products and TRU Qualifying Products. **"Base Referral Fees"** means the fees set forth in sub-paragraphs (a) and (b)

under Option 1.

In order to qualify for Eligible Earnings Referral Fees specified in Column 4 above for any tier, you must satisfy both of the requirements set forth in Column 2 and Column 3 for that tier for the applicable calendar quarter. If you satisfy the requirement for one column but not the other, you will be entitled to the Eligible Earnings Referral Fees specified in the table above only for the highest tier in which you have satisfied the requirements of both columns for the applicable calendar quarter. By way of example only, if you elect to participate in the Tiered Fee Structure for a calendar quarter, and 1,500 Qualifying Products were sold during sessions initiated through Special Links from your site in that quarter, but only 10 of those products were products other than books, music products or video (including VHS and DVD) products, you would be entitled to the Eligible Earnings Referral Fees only as specified for Tier 3 (i.e., 5% of Eligible Earnings). Please also note that if your compliance with the requirements of Column 2 and Column 3 is such that your Eligible Earnings Referral Fees for the calendar quarter will be calculated in accordance with Tier 1, any Base Referral Fees you may have earned will be reduced by an amount equal to 20% of Eligible Earnings (if any). Once a higher tier is achieved within a calendar quarter, the higher Eligible Earnings Referral Fee rate will apply with respect to Eligible Earnings from all Amazon Qualifying Product and TRU Qualifying Product units sold by us during sessions initiated through Special Links on your site during that calendar quarter, including units sold before the new threshold was reached.

Card Application Referral Fee

In addition to the referral fees described above, you may qualify for a one-time referral fee of $20 (the "**Card Application Referral Fee**") for each application for a co-branded Amazon.com/BankOne Visa credit card (the "**Card**"") that is: (a) submitted during a session generated through a Special Link; and (b) approved by First USA Bank, N.A. ("**Bank One**") in its sole discretion. Please note that we reserve the right to reject sites from participating in this offer in our sole discretion, even if those sites are eligible to participate in the Program generally. Sites that are unsuitable for participation in this offer include, without limitation: (a) web sites whose URLs include the words "firstusa", "bankone" or any variations thereof; (b) web sites through which casinos, betting or other gambling-related activities, services or products are offered or promoted; (c) web sites with controversial or discriminatory content (including, without limitation, lewd/adult content, sites that engage in or promote discrimination based upon gender, age, creed, race or political views, and sites that engage in or promote hate, crime, violence or illegal activities or conduct); and (d) web sites that contain gateways to "chat rooms" or other real-time interactive discussion forums.

You may not send any e-mail or other communication to any person promoting or marketing the Card or applications in any way without the prior written consent of us and Bank One. You are not permitted to take an application for a Card unless such application is linked directly to a dedicated Bank One web site and with Bank One's approval. We reserve the right to terminate your participation in this offer at any time and for any reason. If we notify you at any time that your site is unsuitable for participation in the offer or otherwise terminate your participation in this offer, you must immediately remove from

your site all materials relating to the Card or this offer.

6. Referral Fee Payment

We will pay you referral fees on a quarterly basis. In the case of any Card [illegible] Referral Fees for [illegible] in the quarter in which we receive confirmation from the bank that the applicable Card application has been approved. Approximately 30 days following the end of each calendar quarter, we will either (a) send you a check for the referral fees earned, (b) send you a gift certificate good for purchase of Products through the Amazon.com Site, subject to our standard terms or conditions, or (c) directly deposit the referral fees earned into your bank account (if you want us to use this method of payment, please note that you will have to provide us with the name of your bank, the bank account type, the 9-digit routing number/ABA number, the account number and the primary account holder name as it appears on the bank account). If you select payment via Amazon.com Site gift certificate or direct deposit, we will accrue and withhold referral fees until the total amount due is at least $10.00. If you select payment via check, we will accrue and withhold referral fees until the total amount due is at least $100.00. Please note that commencing January 1, 2003, if your billing address is a US address and you select payment via check, we will deduct a processing fee in the amount of $8.00 from the referral fees payable to you for each check we send after April 1, 2003 (this charge does not apply to those with non-US billing addresses because Direct Deposit is not available to them). No processing fee will be deducted if you select payment via Amazon.com Site gift certificate or direct deposit.

7. Policies and Pricing

Customers who buy products or submit Card applications through this Program will be deemed to be our customers. Accordingly, all of our rules, policies, and operating procedures concerning customer orders, customer service, and product sales will apply to those customers. We may change our policies and operating procedures at any time. For example, we will determine the prices to be charged for products sold under this Program in accordance with our own pricing policies. Product prices and availability may vary from time to time. Because price changes may affect Products that you have listed on your site, your site may only show prices when we serve those prices through our "Amazon Recommends" Service or our "Amazon Web Services". In addition, if you choose to display prices for any Product on your site in any "comparison" format (including through the use of any price-comparison tool or engine) together with prices for the same or similar products offered through any web site or other outlet other than the Amazon.com Site, you must display both the lowest "new" price and, if we provide it to you, the lowest "used" price at which the Product is available on the Amazon.com Site. You may not otherwise include price information in your Product descriptions. We will use commercially reasonable efforts to present accurate information, but we cannot guarantee the availability or price of any particular product.

8. Identifying Yourself as an Associate

You may not issue any press release with respect to this Agreement or your participation in the Program; such action may result in your termination from the Program. We will make available to you a small graphic image that identifies your site as a Program participant. You must display this logo or the phrase "In association with Amazon" somewhere on your site. We may modify

the text or graphic image of this notice from time to time. In addition, you may not in any manner misrepresent or embellish the relationship between us and you, or express or imply any relationship or affiliation between us and you or any other person or entity except as expressly permitted by this Agreement (including by expressing or implying that you support, sponsor, endorse, or contribute money to any charity or other cause). If we determine your site is eligible to receive Card Application Referral Fees, you may also place a Special Link on your site to enable us to serve certain graphics relating to the Card and Card applications directly to visitors on your site.

9. Limited License

We grant you a nonexclusive, revocable right to use the graphic image and text described in Section 8 and such other text or images for which we grant express permission, solely for the purpose of identifying your site as a Program participant and to assist in generating Product sales or Card sales (if applicable). You may not modify the graphic image or text, or any other of our images, in any way. We reserve all of our rights in the graphic image and text, any other images, our trade names and trademarks, and all other intellectual property rights. You agree to follow our Trademark Guidelines, as those guidelines may change from time to time. We may revoke your license at any time by giving you written notice.

10. Responsibility for Your Site

You will be solely responsible for the development, operation, and maintenance of your site and for all materials that appear on your site. For example, you will be solely responsible for:

- the technical operation of your site and all related equipment
- creating and posting Product descriptions on your site and linking those descriptions to the Amazon.com Site catalog
- the accuracy and appropriateness of materials posted on your site (including, among other things, all Product-related materials)
- ensuring that materials posted on your site do not violate or infringe upon the rights of any third party (including, for example, copyrights, trademarks, privacy, or other personal or proprietary rights)
- ensuring that materials posted on your site are not libelous or otherwise illegal
- ensuring that your site accurately and adequately discloses, either through a privacy policy or otherwise, how you collect, use, store, and disclose data collected from visitors, including, where applicable, that third parties (including advertisers) may serve content and/or advertisements and collect information directly from visitors and may place or recognize cookies on visitors' browsers.

We disclaim all liability for these matters. Further, you will indemnify and hold us harmless from all claims, damages, and expenses (including, without limitation, attorneys' fees) relating to the development, operation, maintenance, and contents of your site.

11. Term of the Agreement

The term of this Agreement will begin upon our acceptance of your Program application and will end when terminated by either party. Either you or we may terminate this Agreement at any time, with or without cause, by giving the other party written notice of termination. Upon the termination of this Agreement for

any reason, you will immediately cease use of, and remove from your site, all links to the Amazon.com Site, and all of our trademarks, trade dress, and logos, and all other materials provided by or on behalf of us to you pursuant hereto or in connection with the Program. You are eligible to earn referral fees only on [illegible] of Qualifying Purchases [illegible] through the date of termination will remain payable only if the related orders are not canceled or returned. We may withhold your final payment for a reasonable time to ensure that the correct amount is paid.

12. Modification

We may modify any of the terms and conditions contained in this Agreement, at any time and in our sole discretion, by posting a change notice or a new agreement on the Amazon.com Site. Modifications may include, for example, changes in the scope of available referral fees, referral fee schedules, payment procedures, and Program rules. IF ANY MODIFICATION IS UNACCEPTABLE TO YOU, YOUR ONLY RECOURSE IS TO TERMINATE THIS AGREEMENT. YOUR CONTINUED PARTICIPATION IN THE PROGRAM FOLLOWING OUR POSTING OF A CHANGE NOTICE OR NEW AGREEMENT ON THE AMAZON.COM SITE WILL CONSTITUTE BINDING ACCEPTANCE OF THE CHANGE.

13. Relationship of Parties

You and we are independent contractors, and nothing in this Agreement will create any partnership, joint venture, agency, franchise, sales representative, or employment relationship between the parties. You will have no authority to make or accept any offers or representations on our behalf. You will not make any statement, whether on your site or otherwise, that reasonably would contradict anything in this Section.

14. Limitation of Liability

We will not be liable for indirect, special, or consequential damages (or any loss of revenue, profits, or data) arising in connection with this Agreement or the Program, even if we have been advised of the possibility of such damages. Further, our aggregate liability arising with respect to this Agreement and the Program will not exceed the total referral fees paid or payable to you under this Agreement.

15. Disclaimers

We make no express or implied warranties or representations with respect to the Program or any products sold through the Program (including, without limitation, warranties of fitness, merchantability, noninfringement, or any implied warranties arising out of a course of performance, dealing, or trade usage). In addition, we make no representation that the operation of the Amazon.com Site will be uninterrupted or error-free, and we will not be liable for the consequences of any interruptions or errors.

16. Independent Investigation

YOU ACKNOWLEDGE THAT YOU HAVE READ THIS AGREEMENT AND AGREE TO ALL ITS TERMS AND CONDITIONS. YOU UNDERSTAND THAT WE MAY AT ANY TIME (DIRECTLY OR INDIRECTLY) SOLICIT CUSTOMER REFERRALS ON TERMS THAT MAY DIFFER FROM THOSE CONTAINED IN THIS AGREEMENT OR OPERATE WEB SITES THAT ARE SIMILAR TO OR COMPETE WITH

YOUR WEB SITE. YOU HAVE INDEPENDENTLY EVALUATED THE DESIRABILITY OF PARTICIPATING IN THE PROGRAM AND ARE NOT RELYING ON ANY REPRESENTATION, GUARANTEE, OR STATEMENT OTHER THAN AS SET FORTH IN THIS AGREEMENT.

17. Arbitration

Any dispute relating in any way to this Agreement (including any actual or alleged breach hereof), any transactions or activities under this Agreement or your relationship with us or any of our affiliates shall be submitted to confidential arbitration in Seattle, Washington, except that, to the extent you have in any manner violated or threatened to violate our intellectual property rights, we may seek injunctive or other appropriate relief in any state or federal court in the state of Washington (and you consent to non-exclusive jurisdiction and venue in such courts) or any other court of competent jurisdiction. Arbitration under this agreement shall be conducted under the rules then prevailing of the American Arbitration Association. The arbitrator's award shall be binding and may be entered as a judgment in any court of competent jurisdiction. To the fullest extent permitted by applicable law, no arbitration under this Agreement shall be joined to an arbitration involving any other party subject to this Agreement, whether through class arbitration proceedings or otherwise.

18. Miscellaneous

This Agreement will be governed by the laws of the United States and the state of Washington, without reference to rules governing choice of laws. You may not assign this Agreement, by operation of law or otherwise, without our prior written consent. Subject to that restriction, this Agreement will be binding on, inure to the benefit of, and be enforceable against the parties and their respective successors and assigns. Our failure to enforce your strict performance of any provision of this Agreement will not constitute a waiver of our right to subsequently enforce such provision or any other provision of this Agreement.

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Amazon.com Home

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Do you have a Web site? If you do, you can jump into the world of electronic commerce today by joining the Amazon.com Associates Program. In fact, some of the most visited sites on the Web are already Amazon.com Associates. Yahoo! and Excite are marketing products from their Web sites. So are AOL.com, MSN, The Motley Fool, and over 400,000 other sites both large and small.
Visit Some Current Associates.

What Is the Amazon.com Associates Program?

The Amazon.com Associates Program is an easy way for you to work with Amazon.com to enhance your site by selling products from your site. By simply linking to Amazon.com, you can earn generous referral fees by having visitors click from your site through to Amazon.com to purchase items. Amazon.com handles all of the customer service, fulfillment, shipping, and tracking of sales generated from your site. All you have to do is decide how you want to link to Amazon.com. Link by recommending your favorite books, CDs, DVDs, videos, electronics, software, video games, toys, or home improvement items; placing an Amazon.com searchbox somewhere on your site; or simply linking to our homepage. No matter how you choose to link to us, you get paid on all sales.

Why Should I Become an Amazon.com Associate?

As the leader in electronic commerce and the first to offer an Associates Program on the Web, there are many reasons to join Amazon.com's Associates program. Here are a few:

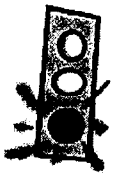
- Enhance your site with millions of items
- Join for free and earn up to 15%
- Get started today--It's easy
- Use our powerful tools to create your store
- Check your earnings and traffic reports online anytime
- Give your visitors more product information, expert editorial and customer reviews

- Rest assured with the best customer service on the Web

Joining the Amazon.com Associates Program is a fun and easy way to work with Amazon.com to create value for your visitors by bringing them more products and better information on products while allowing you to earn referral fees on any sales generated through your site.

Who can be an Amazon.com Associate?

If you have a Web site, you can be an Associate! We have Associates of all sizes and from all interest areas. From AOL.com to Zorro.com, over a quarter of a million Associates have joined our program. **Visit Some Current Associates** to get an idea of the breadth of Associates in our program and the creative ways they use electronic commerce on their sites.



How Do I Get Started?

1. **Read our Operating Agreement.**
2. **Sign up using our simple online registration form.**
3. **Set up a link today!**

It's really that simple. After you complete the online registration form, you'll immediately receive an introductory e-mail that welcomes you to the program and explains how to set up some quick links. After you've been accepted into the program, you'll get access to our members-only area, Associates Central, where you can automatically create a variety of links, download graphics, change your account information, and view your earnings reports anytime. You'll have access to everything you need to create a great store on your site, and you'll be able to watch its progress as it grows. You can learn more about the time-saving features that are available to you in Associates Central by visiting the **Associates Central Preview**.

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- Get help redeeming a gift certificate
- Order a gift certificate

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Operating Agreement

This Agreement contains the complete terms and conditions that apply to an individual's or entity's participation in the Amazon.com Associates Program (the "Program"). As used in this Agreement, "we" means Amazon.com LLC, and "you" means the applicant. "Site" means a World Wide Web site and, depending on the context, refers either to Amazon.com's site located at the URL www.amazon.com, or to the site that you will link to our site (and which you will identify in your Program application).

1. Enrollment in the Program

To begin the enrollment process, you will submit a complete Program application via our site. We will evaluate your application in good faith and will notify you of your acceptance or rejection. We may reject your application if we determine (at our sole discretion) that your site is unsuitable for the Program. Unsuitable sites include those that:

- Promote sexually explicit materials
- Promote violence
- Promote discrimination based on race, sex, religion, nationality, disability, sexual orientation, or age
- Promote illegal activities
- Include "amazon" or variations or misspellings thereof in their domain names
- Otherwise violate intellectual property rights

If we reject your application, you are welcome to reapply to the Program at any time. You should also note that if we accept your application and your site is thereafter determined (at our sole discretion) to be unsuitable for the Program, we may terminate this Agreement.

2. Links on Your Site

Once you have been notified that your site has been accepted into the Program, you may provide on your site one or more of the following types of links to our site:

- **Product links:** You may select one or more Products to list on your site. A "Product" is any product listed on our site, excluding products not fulfilled by us, such as products found through our product finder feature which allows users to find products sold by other merchants on the Internet, or any product offered by third parties for sale through our site (including, without limitation, through our "Auctions" or "zShops" services or successors thereto or any "electronics strorefronts" operated

by third party merchants on our site). For each selected Product, you will display on your site a short description, review, or other reference. You will be responsible for the content, style, and placement of these references. You will provide a Special Link (as defined below) from each Product reference on your site to the corresponding Amazon.com online catalog entry. Each such link will connect directly to a single item in our online catalog. You may add or delete Products (and related links) from your site at any time without our approval. Books (but not other types of Products) that are individually listed and linked as described above are referred to as "Individually Linked Books." You may not list products on your site that are not "Products" as defined above.

- **Search box link:** You may provide an Amazon.com search box on your site that will permit your site visitors to link directly to a page on our site that contains the results of their search queries. We will provide you with technical specifications describing how to include an Amazon.com search box on your site.
- **General link to Amazon.com home page:** You may provide a general link on your site to our home page at http://www.amazon.com. We will provide you with guidelines and graphical artwork to use in linking to our home page.

We will provide you with guidelines and graphical artwork to use in linking to our home page. To permit accurate tracking, reporting, and referral fee accrual, we will provide you with special "tagged" link formats to be used in all links between your site and our site. You must ensure that each of the links between your site and our site properly utilizes such special link formats. Links to our site placed on your site pursuant to this Agreement and which properly utilize such special link formats are referred to as "Special Links." You will only earn referral fees with respect to activity on our site occurring directly through Special Links: we will not be liable to you with respect to any failure by you to use Special Links, including to the extent that such failure may result in any reduction of amounts which would otherwise be paid to you pursuant to this Agreement.

3. Order Processing

We will process product orders placed by customers who follow special links from your site to our site. We reserve the right to reject orders that do not comply with any requirements that we periodically may establish. We will be responsible for all aspects of order processing and fulfillment. Among other things, we will prepare order forms; process payments, cancellations, and returns; and handle customer service. We will track sales made to customers who purchase products using special links from your site to our site and will make available to you reports summarizing this sales activity. The form, content, and frequency of the reports may vary from time to time at our discretion.

4. Referral Fees

We will pay you (in accordance with Sections 5 and 6 below) referral fees on certain Product sales to third parties. For a Product sale to be eligible to earn

a referral fee, the customer must follow a Special Link from your site to our site, select and purchase the Product using our automated ordering system, accept delivery of the Product at the shipping destination, and remit full payment to us. We will not, however, pay referral fees on any Products that are added to a customer's Shopping Cart or are purchased via our One-ClickSM feature after the customer has reentered our site (other than through a Special Link), even if the customer previously followed a link from your site to our site. In addition, Products listed in our catalog or in search results as "out of print" or "hard to find" are not eligible for any referral fees. Gift certificates are not eligible to earn referral fees.

You may not purchase products during sessions initiated through the links on your site for your own use, for resale or commercial use of any kind. This includes orders for customers or on behalf of customers or orders for products to be used by you or your friends, relatives or associates in any manner. Such purchases may result (in our sole discretion) in the withholding of referral fees or the termination of this Agreement. Products that are eligible to earn referral fees under the rules set forth above are referred to as "Qualifying Products."

In addition, you may not directly or indirectly offer any person or entity any consideration or incentive (including, without limitation, payment of money or awarding of any benefits) for using Special Links on your site to access our site (e.g., by implementing any "rewards" program for persons or entities who use Special Links on your site to access our site). If we determine, in our sole discretion, that you have offered any person or entity any such consideration or incentive, we may (without limiting any other rights or remedies available to us) withhold any referral fees otherwise payable to you under this Agreement.

5. Referral Fee Schedule

You will earn referral fees based on qualifying revenues according to referral fee schedules to be established by us. "qualifying revenues" are revenues derived by us from our sales of qualifying products, excluding costs for shipping, handling, gift-wrapping, taxes, service charges, credit card processing fees, and bad debt. The current referral fee schedule is:

- 15% of Qualifying Revenues from the sale of each Individually Linked Book that, on the date of order, is listed in our catalog at 10% to 30% off the publisher's list price and that is added to the customer's Shopping Cart directly from the first page that results from following a Special Link to the Individually Linked Book.
- 5% of Qualifying Revenues from sales of all other Qualifying Products (except as noted below), including:
  - Individually Linked Books that, on the date of order, are listed in our catalog at the publisher's list price (such as special order books) or at a deep discount of more than 30% off the publisher's list price; and
  - Qualifying Products other than books (e.g., CDs, DVDs, VHS tapes, etc.).

However, referral fees for products other than books, music and videos are limited to a maximum of $10 per item, regardless of the Qualifying Revenues derived from the sale of any such item.

You should note that only books can qualify as "Individually Linked Books" and that the referral fee percentage for any Qualifying Products other than books is 5% of Qualifying Revenues (up to a maximum of $ 10 for products other than books, music and videos), regardless of whether such item is individually listed on your site.

6. Referral Fee Payment

We will pay you referral fees on a quarterly basis. Approximately 30 days following the end of each calendar quarter, we will send you a check for the referral fees earned on our sales of Qualifying Products that were shipped during that quarter, less any taxes that we are required by law to withhold. However, if the referral fees payable to you for any calendar quarter are less than $100.00, we will hold those referral fees until the total amount due is at least $100.00 or (if earlier) until this Agreement is terminated. If a Product that generated a referral fee is returned by the customer, we will deduct the corresponding referral fee from your next quarterly payment. If there is no subsequent payment, we will send you a bill for the referral fee.

7. Policies and Pricing

Customers who buy products through this Program will be deemed to be customers of Amazon.com. Accordingly, all Amazon.com rules, policies, and operating procedures concerning customer orders, customer service, and product sales will apply to those customers. We may change our policies and operating procedures at any time. For example, we will determine the prices to be charged for products sold under this Program in accordance with our own pricing policies. Product prices and availability may vary from time to time. Because price changes may affect products that you already have listed on your site, you may not include price information in your product descriptions. We will use commercially reasonable efforts to present accurate information, but we cannot guarantee the availability or price of any particular product.

8. Identifying Yourself as an Associate

We will make available to you a small graphic image that identifies your site as a Program participant. You must display this logo or the phrase "In association with Amazon.com" somewhere on your site. We may modify the text or graphic image of this notice from time to time. In addition, we encourage (but do not require) you to include a Special Link on your site to the Amazon.com home page at http://www.amazon.com. You may not make any press release with respect to this Agreement or your participation in the Program without our prior written consent, which may be given or withheld in our sole discretion. Please review our Rules Regarding Associate Communications and Promotion. In addition, you may not in any manner misrepresent or embellish the relationship between us and you, or express or imply any relationship or affiliation between us and you or any other person

or entity except as expressly permitted by this Agreement (including by expressing or implying that Amazon.com supports, sponsors, endorses or contributes money to any charity or other cause).

9. Limited License

We grant you a nonexclusive, revocable right to use the graphic image and text described in Section 8 and such other images for which we grant express permission, solely for the purpose of identifying your site as a Program participant and to assist in generating product sales. You may not modify the graphic image or text, or any other of our images, in any way. We reserve all of our rights in the graphic image and text, any other images, our trade names and trademarks, and all other intellectual property rights. You agree to follow our Trademark Guidelines , as those guidelines may change from time to time. We may revoke your license at any time by giving you written notice.

10. Responsibility for Your Site

You will be solely responsible for the development, operation, and maintenance of your site and for all materials that appear on your site. For example, you will be solely responsible for:

- The technical operation of your site and all related equipment
- Creating and posting Product descriptions on your site and linking those descriptions to our catalog
- The accuracy and appropriateness of materials posted on your site (including, among other things, all Product-related materials)
- Ensuring that materials posted on your site do not violate or infringe upon the rights of any third party (including, for example, copyrights, trademarks, privacy, or other personal or proprietary rights)
- Ensuring that materials posted on your site are not libelous or otherwise illegal

We disclaim all liability for these matters. Further, you will indemnify and hold us harmless from all claims, damages, and expenses (including, without limitation, attorneys' fees) relating to the development, operation, maintenance, and contents of your site.

11. Term of the Agreement

The term of this Agreement will begin upon our acceptance of your Program application and will end when terminated by either party. Either you or we may terminate this Agreement at any time, with or without cause, by giving the other party written notice of termination. Upon the termination of this Agreement for any reason, you will immediately cease use of, and remove from your site, all links to our site, and all Amazon.com trademarks, trade dress and logos, and all other materials provided by or on behalf of us to you pursuant hereto or in connection with the Program. You are only eligible to earn referral fees on our sales of Qualifying Products occurring during the term, and referral fees earned through the date of termination will remain payable only if the related orders are not canceled or returned. We may withhold your final payment for a reasonable time to ensure that the correct amount is paid.

12. Modification

We may modify any of the terms and conditions contained in this Agreement, at any time and in our sole discretion, by posting a change notice or a new agreement on our site. Modifications may include, for example, changes in the scope of available referral fees, referral fee schedules, payment procedures, and Program rules. IF ANY MODIFICATION IS UNACCEPTABLE TO YOU, YOUR ONLY RECOURSE IS TO TERMINATE THIS AGREEMENT. YOUR CONTINUED PARTICIPATION IN THE PROGRAM FOLLOWING OUR POSTING OF A CHANGE NOTICE OR NEW AGREEMENT ON OUR SITE WILL CONSTITUTE BINDING ACCEPTANCE OF THE CHANGE.

13. Relationship of Parties

You and we are independent contractors, and nothing in this Agreement will create any partnership, joint venture, agency, franchise, sales representative, or employment relationship between the parties. You will have no authority to make or accept any offers or representations on our behalf. You will not make any statement, whether on your site or otherwise, that reasonably would contradict anything in this Section.

14. Limitation of Liability

We will not be liable for indirect, special, or consequential damages (or any loss of revenue, profits, or data) arising in connection with this Agreement or the Program, even if we have been advised of the possibility of such damages. Further, our aggregate liability arising with respect to this Agreement and the Program will not exceed the total referral fees paid or payable to you under this Agreement.

15. Disclaimers

We make no express or implied warranties or representations with respect to the Program or any products sold through the Program (including, without limitation, warranties of fitness, merchantability, noninfringement, or any implied warranties arising out of a course of performance, dealing, or trade usage). In addition, we make no representation that the operation of our site will be uninterrupted or error-free, and we will not be liable for the consequences of any interruptions or errors.

16. Independent Investigation

YOU ACKNOWLEDGE THAT YOU HAVE READ THIS AGREEMENT AND AGREE TO ALL ITS TERMS AND CONDITIONS. YOU UNDERSTAND THAT WE MAY AT ANY TIME (DIRECTLY OR INDIRECTLY) SOLICIT CUSTOMER REFERRALS ON TERMS THAT MAY DIFFER FROM THOSE CONTAINED IN THIS AGREEMENT OR OPERATE WEB SITES THAT ARE SIMILAR TO OR COMPETE WITH YOUR WEB SITE. YOU HAVE INDEPENDENTLY EVALUATED THE DESIRABILITY OF PARTICIPATING IN THE PROGRAM AND ARE NOT RELYING ON ANY REPRESENTATION, GUARANTEE, OR STATEMENT OTHER THAN AS SET FORTH IN THIS AGREEMENT.

17. Miscellaneous

This Agreement will be governed by the laws of the United States and the state of Washington, without reference to rules governing choice of laws. Any action relating to this Agreement must be brought in the federal or state courts located in Seattle, Washington, and you irrevocably consent to the jurisdiction of such courts. You may not assign this Agreement, by operation of law or otherwise, without our prior written consent. Subject to that restriction, this Agreement will be binding on, inure to the benefit of, and enforceable against the parties and their respective successors and assigns. Our failure to enforce your strict performance of any provision of this Agreement will not constitute a waiver of our right to subsequently enforce such provision or any other provision of this Agreement.

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Press Releases and Other Communications (Including All Communications on Your Web Site or Via Other Media)

A. Any communication must accurately identify that you are participating in the "Amazon.com Associates Program."

B. Any communication must clearly and accurately describe the nature of your participation in the Amazon.com Associates Program: your communication must not create confusion or misrepresent the nature of your or any other participant's participation in the Amazon.com Associate's Program.

You may, without our prior consent, say the following in any communication: that you have become an Amazon.com Associate, and/or that you have joined or become a member of the Amazon.com Associates Program. You may also describe the Amazon.com Associates Program as "the leading-selling program on the Internet, with over 400,000 members."

You must obtain our prior written consent to use any other description of your participation in the Amazon.com Associates Program or of the program itself, which we may give or withhold at our sole discretion. If you seek such consent, please submit the entirety of your proposed press release to us by email at associates@amazon.com for review.

Note that in seeking such consent, we will not approve, and you may never in any event issue, any communication which, in the context of describing the Amazon.com Associates Program or your relationship with such program or Amazon.com:

- Uses any of the following words: "network," "affiliate," "partnership," "reseller," "alliance," or "relationship agreement," or any other words which may lead one to confuse the Amazon.com Associates Program with any other selling initiatives or which could otherwise be

misleading;

- States that Amazon.com (or any of Amazon.com's affiliated companies) will be selling or promoting your products or services, or that there will be any linking from the Amazon.com site (or any of Amazon.com's affiliated companies' sites) to your site; or

- Otherwise misrepresents, embellishes, or aggrandizes the business terms of the Amazon.com Associates Program or your or your sites' relationship with Amazon.com or any of its affiliated companies.

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C. You may not use in any press release any Amazon.com "background" or "safe harbor" language, or any quotes from any of Amazon.com's or its affiliated companies' executives or representatives, whether appearing in any other press release or other communication or documentation.

Other Web Site Promotion

A. To protect the integrity of the reputation of Amazon.com Associates as well as the Amazon.com brand name, you may not promote your site via certain forms of indiscriminate advertising, commonly referred to as "spamming." Accordingly, you may not promote your site via unsolicited commercial e-mail (UCE), postings to non-commercial newsgroups, or cross-postings to multiple newsgroups at once. In addition, you may not promote your site in any way that effectively conceals or misrepresents your identity, domain name, or return e-mail address.

B. Notwithstanding the foregoing, you may promote your site via mailings to recipients who are already customers or subscribers to your site's services, provided that the recipients have the option to remove themselves from future mailings. Further, you may promote your site via newsgroup postings to newsgroups that specifically welcome commercial messages (when in doubt, consult the newsgroup FAQ or moderators to be sure that such a message is acceptable in that newsgroup).

C. In all promotion, you must clearly represent yourself and your site as entities independent from Amazon.com, Amazon.com's affiliated companies, the Amazon.com site, and any of Amazon.com's affiliated companies' Web sites.

D. Generally, in any forum or media, you must honor the advertising practices and restrictions that are commonly considered acceptable by its readers.

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Exhibit W

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

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AMAZON.COM MAKES MULTI-MILLION DOLLAR MULTI-YEAR ADVERTISING BUY ON EXCITE

Amazon.com becomes Exclusive Bookseller in Excite's topic-based Channels

SEATTLE, WA and REDWOOD CITY, CA (July 7, 1997)--Excite, Inc. (NASDAQ:XCIT) and Amazon.com, Inc. (NASDAQ:AMZN), the largest online bookseller, today announced that Amazon.com will make a multi-million dollar Internet advertising buy on Excite. The two companies have also established a strategic relationship where Amazon.com will be Excite's exclusive bookseller integrated throughout Excite's channels.

The three-year relationship combines Excite's core competencies in distribution and programming with Amazon.com's strengths in bookselling and editorial content to offer consumers the opportunity to buy topic-related books while browsing Excite's channels. Throughout Excite's channels pages, Excite will offer users links that will take them directly to the related Amazon.com search results page. The full range of links is expected to be in place in the fourth quarter of 1997. Amazon.com's advertising will begin running immediately throughout Excite's popular topic-based channels at http://www.excite.com.

"Coming right on the heels of our partnership with Ticketmaster, Amazon.com is another partner who sees value in our large audience base and rich channel environment. Amazon.com has chosen to offer their content expertise in book selection and editorial content to provide a valuable experience to the Excite network user," said George Bell, president and CEO, Excite. "The Web has established itself as a valuable medium for consumers searching for all kinds of information, including books. The value of delivering best-of-breed content with Amazon.com delivers on our promise of consistently providing the best content available for Excite's customers."

First time ever - Amazon.com extends availability of book selections and editorial content

For the first time ever, Amazon.com's editorial staff will create original content specifically for a site not their own. Amazon.com's editors will select books for each of the relevant topic-based channels within Excite. For example, users browsing the Arts & Entertainment channel will also be able

to browse a selection of critically acclaimed and best-selling books about Arts & Entertainment, as well as browse reviews and editorial content about each book. The book summaries provided by Amazon.com will be uniquely created for Excite's channels. "We are bringing together the unique benefits of our Web sites and services to further enhance our users' shopping and navigation experiences," said Jeff Bezos, president and CEO of Amazon.com. "As Excite is one of the major points of distribution on the Web, we are delighted to work with Excite to offer this convenient access to our huge selection of books and outstanding editorial content to Excite's users."

Pricing and Availability
Amazon.com's book recommendations and editorial content are expected to be in place late this summer. The content will be available for free to Excite's users throughout Excite's channels at http://www.excite.com.

About Amazon.com, Inc.
Amazon.com, Inc. (http://www.amazon.com), Earth's Biggest Bookstore, is the leading online retailer of books, offering a catalog of 2.5 million titles, easy-to-use search and browse features, email services, Web-based credit card payment and direct shipping to customers. Amazon.com has virtually unlimited online shelf space and can offer customers a vast selection through an efficient search and retrieval interface.

About Excite, Inc.
Founded in 1994, Excite, Inc. is one of the Web's most popular networks. The Excite Network consists of four of the Internet's leading brands: Excite (http://www.excite.com), WebCrawler (http://webcrawler.com), Excite Travel by City.Net (http://city.net) and Magellan (http://www.mckinley.com). Excite, Inc. is committed to providing consumers with the most comprehensive network of directory and search services online. Excite offers topic-based channels of information where consumers can find topical news and content, reviews and guides, bulletin boards, chat and search. WebCrawler offers consumers simple, but powerful online search solutions. Excite Travel by City.Net offers travelers the Web's most comprehensive travel resource for travel planning, complete with destination information and transaction capabilities. The Magellan Internet Guide offers a guide of 'green light' or safe Web sites on the Internet. Based in Redwood City, Calif., Excite, Inc. (NASDAQ: XCIT) has strategic relationships with America Online, Inc., Intuit Inc., Tribune Company, CUC Investments Inc., Apple Computer, Inc. and Netscape Communications Corp.

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Forward-looking statements in this release are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties, including and without limitation, risks relating to

consumer acceptance of the companies' proposed personal finance channel; the consummation of Intuit's investment in Excite; the ability of Excite to realize sustained increases in users resulting from its recent advertising campaign; the ability of Excite to experience increases in traffic from AOL, Netscape and other online and Internet access providers; the demand for advertising on the companies' proposed personal financial channel, as well as continued increases in the number of companies advertising on Excite's current services and on the Web generally; the commercial acceptance and success of new "gateways" to the Web such as WebTV; the viability of the Internet as a commercial medium; continued acceptance of the companies' respective products and services; technological changes; governmental regulations, including but not limited to those relating to content on and usage of the Internet and the Web; general economic conditions; and other risks detailed in Intuit's and Excite's most recent annual and quarterly reports on Forms 10-K and Forms 10-Q (as amended), on file with the Securities and Exchange Commission.

This announcement contains forward-looking statements that involve risks and uncertainties, and actual results may differ materially from predicted results. Potential risks and uncertainties include, among others, Amazon.com's limited operating history, the unpredictability of its future revenues and risks associated with capacity constraints and management of growth. More information about factors that potentially could affect Amazon.com's financial results is included in the company's final prospectus dated May 15, 1997, as filed with the Securities and Exchange Commission.

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AMAZON.COM AND AMERICA ONLINE ANNOUNCE MULTI-MILLION DOLLAR ADVERTISING AND PROMOTIONAL AGREEMENT, BRINGING TOGETHER #1 ONLINE BOOKSELLER WITH #1 INTERNET ONLINE SERVICE

Amazon.com Secures Prime Real Estate with Front-Screen Button on AOL.com, Prominent Banners and Promotions on AOL NetFind

SEATTLE, WA and Dulles, VA (July 8, 1997)-- Amazon.com, Inc. [Nasdaq:AMZN] and America Online, Inc. [NYSE:AOL] today announced a three-year comprehensive promotional agreement under which Amazon.com will be the exclusive bookseller on AOL.com and AOL's NetFind search engine.

Under the agreement, Amazon.com will receive a permanent "above-the-fold" front-screen button (visible without scrolling down) on the AOL.com homepage, the most visited site on the Web. This button will link users directly to Amazon.com (www.amazon.com), the leading online bookseller, where they will be able to review and purchase books.

In addition, Amazon.com and AOL will introduce a new navigational tool that will allow NetFind users to link directly to relevant Amazon.com search results pages through a hyperlink on every AOL NetFind Results page. By offering users additional in-context access to books at the time of their search, Amazon.com and AOL will enhance NetFind's informational value and broaden user access to Amazon.com's 2.5 million titles.

Furthermore, Amazon.com will have broad exclusive promotional placement rights on AOL.com and NetFind, including a range of banner advertisements on selected NetFind Review Category pages and keyword categories.

In return, AOL will receive $19 million over three years, with the possibility of additional payments should Amazon.com sales revenues exceed thresholds specified in the agreement.

"Amazon's partnership with AOL gives us access to its more than 8 million members and makes us the exclusive booksellers to users of AOL.com and

NetFind. We are especially enthusiastic about this agreement's creative approaches to putting information about Amazon.com in front of users when and where they are most likely to act on it," said Jeff Bezos, President and CEO of Amazon.com. "This is a significant step in Amazon's strategy of expanding our reach to online users."

"With the growing popularity of e-commerce on the Internet, this landmark agreement demonstrates AOL's market leadership and creativity in driving traffic and business to our partners not only from our core service, but from AOL.com, the number one destination in cyberspace," said Bob Pittman, President and CEO of AOL Networks. "The decision of Amazon.com, the leading consumer commerce site on the Web, to partner with us, also illustrates our leadership in penetrating the community of Internet users underscored by recent PCMeter measures showing that AOL accounts for 38 percent of all home traffic to the Web."

About Amazon.com
Amazon.com, Earth's Biggest Bookstore, is the leading online retailer of books, offering a catalog of 2.5 million titles, easy-to-use search and browse features, email services, Web-based credit card payment and direct shipping to customers. Amazon.com has virtually unlimited online shelf space and can offer customers a vast selection through an efficient search and retrieval interface.

About AOL.com and AOL Networks
AOL.com, AOL's proprietary Website, is a comprehensive guide to everything online and the number one destination on the World Wide Web. It includes AOL NetFind, the company's Internet navigation solution that helps users go beyond merely searching to finding the information, productions and services they are looking for online. In addition to a powerful web and news group search engine, AOL NetFind includes tools for finding both businesses and people, including Yellow and White pages, emails, addresses and maps, as well as editorial features such as Time Savers and AOL NetFind tips.

America Online Networks is a division of America Online, Inc., based in Dulles, Virginia. America Online Networks oversees the America Online consumer online network, the world's most popular Internet online service, with more than 8 million members. AOL, founded in 1985, offers its subscribers a wide variety of services including electronic mail, conferencing, software, computing support, interactive magazines and newspapers, as well as easy access to services of the Internet.

This announcement contains forward looking statements that involve risks and uncertainties, and actual results may differ materially from predicted results. Potential risks and uncertainties include, among others, Amazon.com's limited operating history, the unpredictability of its future revenues and risks associated with capacity constraints and management of growth. More information about factors that potentially could affect

Amazon.com's financial results is included in the company's final prospectus dated May 15, 1997, as filed with the Securities and Exchange Commission.

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AMAZON.COM AND NETSCAPE ANNOUNCE STRATEGIC ONLINE COMMERCE DEAL

Earth's Biggest Bookstore to Serve as Exclusive Bookseller on Leading Internet Business Site - Netscape Netcenter

SEATTLE, WA and MOUNTAIN VIEW, CA (October 20, 1997)-- Amazon.com, Inc. (NASDAQ: AMZN) and Netscape Communications Corporation (NASDAQ: NCSP) today announced an agreement naming Amazon.com (www.amazon.com) the exclusive bookseller on Netscape Netcenter's newly launched commerce section, Netscape Marketplace. Under the terms of the agreement, the two companies will offer members of Netscape Netcenter a co-branded storefront where Earth's Biggest Bookstore will be easily accessed through Netscape Netcenter (home.netscape.com).

Through the co-branded storefront, which is expected to be available by the end of the year, Amazon.com will feature book titles and editorial content tailored specifically to the Netscape Netcenter audience. Under the agreement, Amazon.com will also have an above-the-fold button on Netscape's popular NetSearch page. This will provide easy access for busy Internet users to search and browse Amazon.com's more than 2.5 million titles. In addition, Amazon.com will receive prominent marketing and advertising within Netscape Netcenter and will be bookmarked in future releases of Netscape client software.

In a related announcement today, Netscape unveiled its commerce strategy for Netcenter with the launch of Netscape Marketplace. Amazon.com will be one of the first commerce offerings that Netscape will provide to its Netscape Netcenter membership of busy professionals. "This agreement marks another important advance in our strategy to be the primary destination for all Internet bookbuyers," said George Aposporos, Amazon.com Vice President of Business Development. "We are particularly excited about our relationship with Netscape because it secures Amazon.com's place as the premier bookseller on the top three most highly trafficked sites on the Web."

"Our agreement with Amazon.com will provide Internet users with a winning combination of Amazon's world-leading bookstore offerings

through Netscape's highly-ranked business Internet site," said Jennifer Bailey, Vice President, Web Site at Netscape. "With our new co-branded storefront located in Netscape Marketplace, Netscape Netcenter members will have easy access not only to more than 2.5 million titles but also to leading editorial content customized for our busy professional audience."

Netscape Communications Corporation is a leading provider of open software for linking people and information over enterprise networks and the Internet. The company offers a full line of clients, servers, development tools, and commercial applications to create a complete platform for next-generation, live online applications. Traded on Nasdaq under the symbol "NSCP," Netscape Communications Corporation is based in Mountain View, California.

Additional information on Netscape Communications Corporation is available on the Internet at http://home.netscape.com, by sending e-mail to info@netscape.com, or by calling (650) 937-2555 (corporations) or (650) 937-3777 (individuals).

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Amazon.com, Inc., Earth's Biggest Bookstore, is the leading online retailer of books and is the premier bookseller on AOL.com, Excite.com, Yahoo!, the AltaVista Search Service, and the Prodigy Shopping Network. Amazon.com offers a catalog of 2.5 million titles, easy-to-use search and browse features, e-mail services, personalized shopping service, Web-based credit card payment, and direct shipping to customers. Amazon.com has virtually unlimited online shelf space and offers customers a vast selection through an efficient search-and-retrieval interface.

Amazon.com, Inc., is headquartered at 1516 Second Avenue, Seattle, WA 98101. Internet address: http://www.amazon.com. Telephone: (206) 622-2335.

Amazon.com and Earth's Biggest Bookstore are service marks of Amazon.com, Inc. All other names are trademarks and/or registered trademarks of their respective owners.

This announcement contains forward-looking statements that involve risks and uncertainties, and actual results may differ materially from predicted results. Potential risks and uncertainties include, among others, Amazon.com's limited operating history, the unpredictability of its future revenues, and risks associated with capacity constraints and management of growth. More information about factors that potentially could affect Amazon.com's financial results is included in the company's final

prospectus, dated May 15, 1997, as well as the company's Form 10Q for the second quarter ended June 30, 1997, both filed with the Securities and Exchange Commission.

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YAHOO! AND AMAZON.COM STRIKE GLOBAL MERCHANT AGREEMENT

Amazon.com Becomes Premier Book Merchant for Yahoo! World Sites

SANTA CLARA, Calif. and SEATTLE, Sept. 2 -- Yahoo! Inc. (Nasdaq: YHOO - news) and Amazon.com (Nasdaq: AMZN - news) today announced one of the most extensive global merchant programs on the Internet, featuring Amazon.com as the premier book merchant throughout many of Yahoo!'s World sites, including Yahoo! in Asia, UK & Ireland, France, Germany, Denmark, Sweden, Norway, Canada, Australia & New Zealand, Japan and Korea. The program is a global expansion of the existing relationship between Yahoo!® and Amazon.com. Amazon.com merchant buttons are now featured on Yahoo! in Asia, Yahoo! France, Yahoo! Denmark, Yahoo! Norway, Yahoo! Sweden and Yahoo! Australia & New Zealand. The program will be rolled out across other Yahoo! World sites within the next few months.

"With our far-reaching network of globally-branded Yahoo! properties, we are in the unique position to provide companies with the ability to simultaneously reach a variety of markets and an unsurpassed worldwide audience," said Heather Killen, vice president international at Yahoo!. "As a leader in electronic commerce, Amazon.com allows Yahoo! users to browse through the largest online catalog of books and quickly and conveniently purchase titles relevant to their interests from anywhere in the world."

Through the expanded agreement, Amazon.com is now the premier global bookseller within many of the World Yahoo! properties. Individuals now have easy access to related English-language book titles within book categories and related keywords of many Yahoo! World sites. Additionally, Amazon.com becomes the local merchant for Yahoo! Germany (www.yahoo.de) and will now offer Yahoo! Germany users direct links to a broad selection of relevant German-language books from www.amazon.de. Amazon.com is already the premier book merchant for Yahoo! UK & Ireland (www.yahoo.co.uk). Amazon.com provides a local selection of English-language titles through their www.amazon.co.uk site, offering local customer service and delivery.

"Amazon.com has become a global Internet brand, and the wide reach of

Yahoo!'s World sites will help more people in more places discover Amazon.com's unique combination of selection, great prices and customer service," said David Risher, senior vice president at Amazon.com. "This agreement with Yahoo!, combined with our local presence in Germany and the United Kingdom, strengthens our position around the world as a leading global book merchant."

Yahoo!'s globally-branded network of World properties currently includes Web guides in Japan, Korea, Canada, Australia & New Zealand, France, Germany, UK & Ireland, Denmark, Sweden, Norway, and Italy. Yahoo!'s World properties also include language-based Web guides, Yahoo! Chinese and Yahoo! en Espanol, as well as an English-language site based in Singapore, Yahoo! in Asia.

About Amazon.com

Amazon.com, Inc., offers more than 3 million book, music, and other titles, plus easy-to-use search and browse features, secure credit card payment, personalized recommendations, and direct shipping. Amazon.com has virtually unlimited online shelf space to offer customers a vast selection easily accessed through an efficient search-and-retrieval interface, as well as streamlined ordering through 1-Click (SM) technology. Amazon.com pioneered the concept of syndicated selling on the Internet and has more than 100,000 members in its Associates Program, including AOL.com, Yahoo!, Netscape, Excite, the AltaVista Search Service, the @Home Network, and iVillage.

About Yahoo!

Yahoo! Inc. is a global Internet media company that offers a network of branded Web programming, serving millions of users daily. As the first online navigational guide to the Web, www.yahoo.com is the single largest guide in terms of traffic, advertising, household and business user reach, and is one of the most recognized brands associated with the Internet. Yahoo! Inc. provides targeted Internet resources and communications services for a broad range of audiences, based on demographic, key-subject and geographic interests. Yahoo! is headquartered in Santa Clara, Calif.

This announcement contains forward-looking statements that involve risks and uncertainties that include, among others, Amazon.com's limited operating history, the unpredictability of future revenues, and risks associated with capacity constraints, management of growth, and new business opportunities. More information about factors that potentially could affect Amazon.com's financial results is included in the company's Annual Report on Form 10K for the year ended December 31, 1997, and quarterly report on Form 10-Q for the quarter ended June 30, 1998, both filed with the Securities and Exchange Commission.

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Exhibit X

to Affidavit of Katherine Savitt

In Support of Amazon.Com's Motion for Summary Judgment

Opposition No. 91,122,000

Amazon.com, Inc. v. Kalayjdian

Offering Party: Amazon.com, Inc.

Recent *News*

Despite a Challenging Year, Microsoft Retains High Rank as one of the 'World's Most Valuable Brands'

The World's Most Valuable Brands 2000

Finds Technology Sector Created Most Brand Value in Past 12 Months; Dot-Com Brands Showed Greatest Growth

NEW YORK, July 18, 2000 — Despite the ongoing attempt by the Justice Department to split up the company and the often negative media attention on its chairman, Bill Gates, Microsoft increased its brand value by nearly 24% over the past 12 months through June 1, according to the *World's Most Valuable Brands Survey*, an annual study conducted by Interbrand, the world's leading brand consultancy.

Microsoft's showing as the second most valuable brand in the world, with a brand value of $70.2 billion, demonstrates the brand-building strength of technology and New Economy companies. Coca-Cola's top ranking for a second consecutive year underscores the enduring strength of the Coca-Cola brand in spite of crisis conditions over the course of the past year. While still the most valuable at $72.5 billion, Coca-Cola's brand value decreased by 13%.

These findings are part of a comprehensive survey by Interbrand, conducted in conjunction with Citibank, to identify and rank the top global brands valued at $1 billion or more. A total of 75 brands qualified for the ranking this year. The survey also measures brand value as a percentage of market capitalization, revenues and other performance indicators. Now in its second consecutive year, Interbrand developed this study to help global companies and investors quantify and track the contribution that their brands make to their business.

Martyn Straw, President of Interbrand US, said, "Translating brand power into economic value begins and ends with a focus

on brands as corporate assets. Companies that outperform their peers in brand value creation understand this well — and proactively manage their brands as they would other key strategic assets of the company as a way to secure long-term shareholder value."

Key survey findings include:

- **Technology reigns...**
  - Technology companies (Microsoft - #2, IBM - #3, Intel - #4 and Nokia - #5) dominated the top five most valuable brands;
  - The tech industry was the biggest brand value builder in the past 12 months, with the majority of the tech companies in the top 75 experiencing double-digit brand value growth.
  - Internet brands showed the highest growth in the past 12 months, with Yahoo! (#38) experiencing a 258% growth in brand value followed by Amazon.com (#48) with a 233% increase from last year.
- **...But consumer products are still going strong.**
  - In addition to Coca-Cola's number one ranking, traditional consumer products companies General Electric (#6) and McDonald's (#9) made the Top Ten, with strong showings by Marlboro (#11), Gillette (#17) and Sony (#18).
  - Luxury goods created significant value with Louis Vuitton (69%), Chanel (32%), Rolex (47%) showing strong double-digit growth.
- **U.S. companies dominate the ranking...**
  - The U.S. accounted for the majority of the most valuable global brands, with 42 of the top 75.
  - In contrast, Europe had 27 of the most valuable brands, with such companies as Nescafe (#22), SAP (#39) and IKEA (#40) among the global leaders.
- **...But lose ground in key sectors.**
  - While Ford was the automotive leader at #7, it was the only U.S. car maker to make this year's list as foreign car makers Mercedes (#12), Toyota (#15), Honda (#20), BMW (#23) and Volkswagen (#31) dominated this sector.
  - Finland's Nokia (#5), in its first appearance among the Top Ten, besting both AT&T

(#10) and Motorola (#49) of the U.S.

Raymond Perrier, Managing Director and head of the New York office, said, "It is clear that global brands are still the main creators of wealth and will continue to drive wealth creation in the foreseeable future. Technological advances, such as the growth of the Internet, will continue to accelerate this globalization trend.

"As demonstrated by this year's Top Ten list, which remains nearly intact from last year, brands are arguably the most stable business asset a company can have. Coca-Cola and Microsoft are prime examples of this, each having faced exceptional challenges in recent months and yet emerging once again as the global brand heavyweights," he added.

Interbrand (*www.interbrand.com*) is the world's leading brand consultancy. Clients include such global brands as Sony, BMW, British Airways, PricewaterhouseCoopers, Pharmacia & Upjohn and Kellogg's. Interbrand has 26 offices in 19 countries.

For more information or for a copy of Interbrand's World's Most Valuable Brands Survey, please contact Lisa Marsala at (212) 798-7646

Click here to see the world's top 75 brands

Click here for a link to the Financial Times' article on Interbrand's Most Valuable Brands Survey

Interbrand

The World's Most Valuable Brands 2000 Interbrand's Annual Survey

Survey Methodology

Rank	Brand	Brand Value 2000 ($m)	Brand Value 1999 ($m)	% change	Market Capitalization (30.06.00) ($m)	Brand Value as % Market Capitalization (2000)	Branded Sales - Actual 1999 ($m)	Br Va 200 mult of 1 Sa
1	Coca Cola	72,537	83,845	-13%	142,163	51%	17,825	4
2	Microsoft - Windows	70,197	56,654	24%	420,992	17%	19,747	3
3	IBM	53,184	43,781	21%	194,236	27%	87,548	(
4	Intel	39,049	30,021	30%	447,719	9%	29,389	1
5	Nokia	38,528	20,694	86%	239,828	16%	19,910	1
6	General Electric	38,128	33,502	14%	524,351	7%	105,840	(
7	Ford	36,368	33,197	10%	48,781	75%	121,603	(
8	Disney	33,553	32,275	4%	80,645	42%	18,722	1
9	McDonald's	27,859	26,231	6%	44,012	63%	13,259	2
10	AT&T	25,548	24,181	6%	118,671	22%	62,391	(
11	Marlboro	22,111	21,048	5%	60,740	36%	10,362	2
12	Mercedes	21,105	17,781	19%	53,399	40%	65,249	(
13	Hewlett-Packard	20,572	17,132	20%	124,875	16%	42,370	(
14	Cisco systems	20,068	N/A	N/A	446,454	4%	12,095	1
15	Toyota	18,824	12,310	53%	171,166	11%	100,704	(
16	Citibank	18,810	N/A*	N/A	203,325	9%	29,242	(
17	Gillette	17,359	15,894	9%	36,471	48%	4,229	4
18	Sony	16,410	14,231	15%	85,349	19%	53,312	(
19	Amex	16,122	12,550	28%	69,240	23%	21,278	(

20	Honda	15,245	11,101	*37%*	33,247	46%	60,902	C
21	Compaq	14,602	N/A	N/A	43,405	34%	38,525	C
22	Nescafe	13,681	N/A*	N/A	N/A	N/A	4,073	3
23	BMW	12,969	11,281	*15%*	20,307	64%	25,270	C
24	Kodak	11,822	14,830	*-20%*	18,432	64%	14,089	C
25	Heinz	11,742	11,806	*-1%*	15,410	76%	7,440	1
26	Budweiser	10,685	8,510	*26%*	33,741	32%	6,797	1
27	Xerox	9,700	11,225	*-14%*	13,825	70%	19,228	C
28	Dell	9,476	9,043	*5%*	127,576	7%	18,243	C
29	Gap	9,316	7,909	*18%*	26,565	35%	6,575	1
30	Nike	8,015	8,155	*-2%*	11,212	71%	8,331	C
31	Volkswagen	7,834	6,603	*19%*	11,930	66%	33,307	C
32	Ericsson	7,805	14,766	*-47%*	165,767	5%	25,310	C
33	Kelloggs	7,357	7,052	*4%*	12,066	61%	6,984	1
34	Louis Vuitton	6,887	4,076	*69%*	40,558	17%	2,296	3
35	Pepsi-Cola	6,637	5,932	*12%*	64,035	10%	2,757	2
36	Apple	6,594	4,283	*54%*	17,047	39%	6,134	1
37	MTV	6,411	N/A	N/A	N/A	N/A	2,250	2
38	Yahoo!	6,300	1,761	*258%*	67,297	9%	544	11
39	SAP	6,136	N/A	N/A	51,814	12%	5,146	1
40	IKEA	6,032	N/A*	N/A	N/A	N/A	8,000	C
41	Duracell	5,885	N/A	N/A	N/A	N/A	2,726	2
42	Philips	5,482	N/A	N/A	64,250	9%	31,679	C
43	Samsung	5,223	N/A	N/A	40,821	13%	21,524	C
44	Gucci	5,150	N/A	N/A	9,636	53%	1,223	4
45	Kleenex	5,144	4,602	*12%*	N/A	N/A	2,606	1
46	Reuters	4,877	N/A	N/A	24,330	20%	4,185	1
47	AOL	4,532	4,329	*5%*	121,044	4%	4,321	1
48	Amazon.Com	4,529	1,361	*233%*	12,774	35%	1,640	2
49	Motorola	4,446	3,643	*22%*	62,550	7%	30,931	C
50	Colgate	4,418	3,568	*24%*	34,527	13%	2,334	1
51	Wrigley's	4,324	4,404	*-2%*	7,349	59%	2,062	2
52	Chanel	4,142	3,143	*32%*	N/A	N/A	2,226	1
53	adidas	3,791	3,596	*5%*	2,513	151%	4,497	C
54	Panasonic	3,734	N/A	N/A	55,774	7%	60,314	C

55	Rolex	3,561	2,423	*47%*	N/A	N/A	1,451	2
56	Hertz	3,438	3,527	*-3%*	3,138	110%	4,716	(
57	Bacardi	3,187	2,895	*10%*	N/A	N/A	1,937	1
58	BP	3,067	2,985	*3%*	216,745	1%	56,464	(
59	Moet & Chandon	2,799	2,804	*0%*	N/A	N/A	1,303	2
60	Shell	2,786	2,681	*4%*	133,815	2%	105,366	(
61	Burger King	2,702	2,806	*-4%*	N/A	N/A	1,415	1
62	Smirnoff	2,443	2,313	*6%*	N/A	N/A	1,132	2
63	Barbie	2,315	N/A*	N/A	5,614	41%	1,591	1
64	Heineken	2,219	2,184	*2%*	19,163	12%	1,871	1
65	Wall St. Journal	2,185	N/A	N/A	N/A	N/A	1,321	1
66	Ralph Lauren/Polo	1,834	1,648	*11%*	N/A	N/A	1,727	1
67	Johnnie Walker	1,541	1,634	*-6%*	N/A	N/A	837	1
68	Hilton	1,483	1,319	*12%*	N/A	N/A	2,520	(
69	Jack Daniels	1,480	N/A	N/A	3,653	41%	597	2
70	Armani	1,456	N/A	N/A	N/A	N/A	1,300	1
71	Pampers	1,400	1,422	*-2%*	N/A	N/A	849	1
72	Starbucks	1,330	N/A	N/A	7,085	19%	1,680	(
73	Guinness	1,225	1,262	*-3%*	N/A	N/A	1,192	1
74	FT	1,149	N/A	N/A	N/A	N/A	575	2
75	Benetton	1,008	N/A	N/A	3,812	26%	1,245	(

BONUS: OUR SUPPLEMENT ON E-BUSINESS

AOL Keyword: BW

COVER STORY

THE BEST GLOBAL BRANDS

They're everywhere, but putting a dollar value on them was no easy chore. Coke topped the list, at $68.9 billion

BusinessWeek

AUGUST 6, 2001

COVER ILLUSTRATION BY GLENN RYAN; ABOVE ILLUSTRATION BY AARON GOODMAN

Cover Story

50 THE BEST GLOBAL BRANDS
Brand-building isn't just for detergent and soft drinks anymore. The practice has spread to nearly every industry, from high tech to aerospace. Corporations have found that trusted names can boost sales and earnings, and their value is immense. *BusinessWeek*, together with consultant Interbrand, has rigorously assessed the value of the world's best brands and ranked the top 100 in our first annual scoreboard

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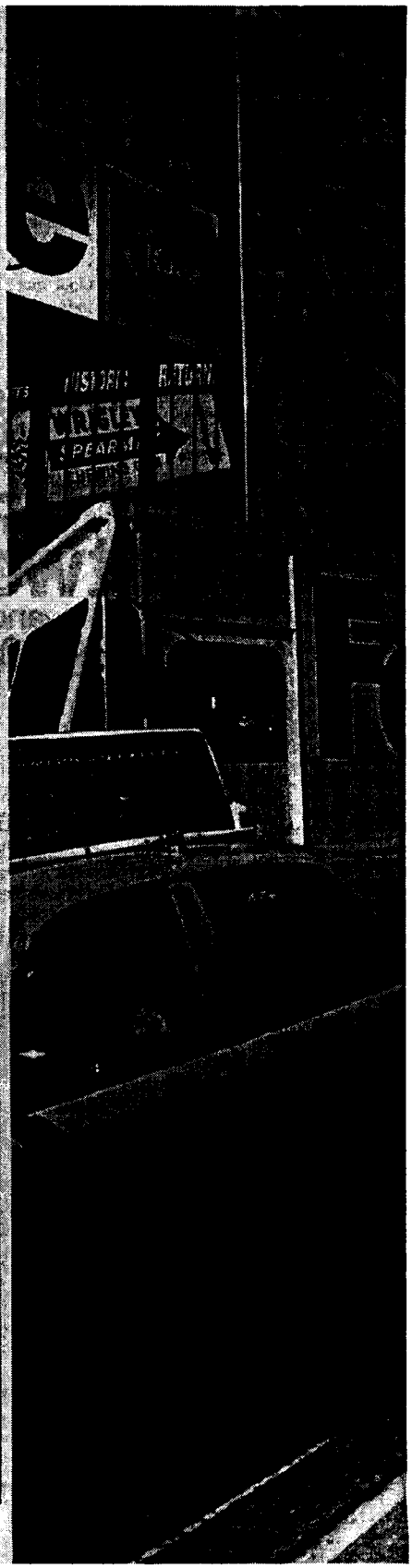
Interbrand

As seen in BusinessWeek, August 6, 2001

THE BEST GLOBAL BRANDS

Together with leading brand consultant **INTERBRAND**, we've ranked the leaders around the world



Not long after she started her new job as head of Boeing Co.'s marketing and public-relations department in 1999, Ford veteran Judith Muhlberg uttered the "B" word in a meeting of top executives. Immediately, a senior manager stopped her and said: "Judith, do you know what industry you're in and what company you've come to? We aren't a consumer-goods company, and we don't have a brand."

Boeing has come a long way since then. Today, branding matters in a big way at the aerospace giant. The company's first-ever brand strategy was formalized last year as part of an overall strategy to extend its reach beyond the commercial-airplane business. Now, everything from Boeing's logo to its plan to relocate its corporate headquarters from Seattle to Chicago has been devised with the Boeing brand in mind.

A belief in the power of brands and brand management has spread far beyond the traditional consumer-goods marketers who invented the discipline. For companies in almost every industry, brands are important in a way they never were before. Why? For one thing, customers for everything from soda pop to software now have a staggering number of choices. And the Net can bring the full array to any computer screen with a click of the mouse. Without trusted brand names as touchstones, shopping for almost anything would be overwhelming. Meanwhile, in a global economy, corporations must reach customers in markets far from their home base. A strong brand acts as an am-

The World's 10 Most Valuable Brands

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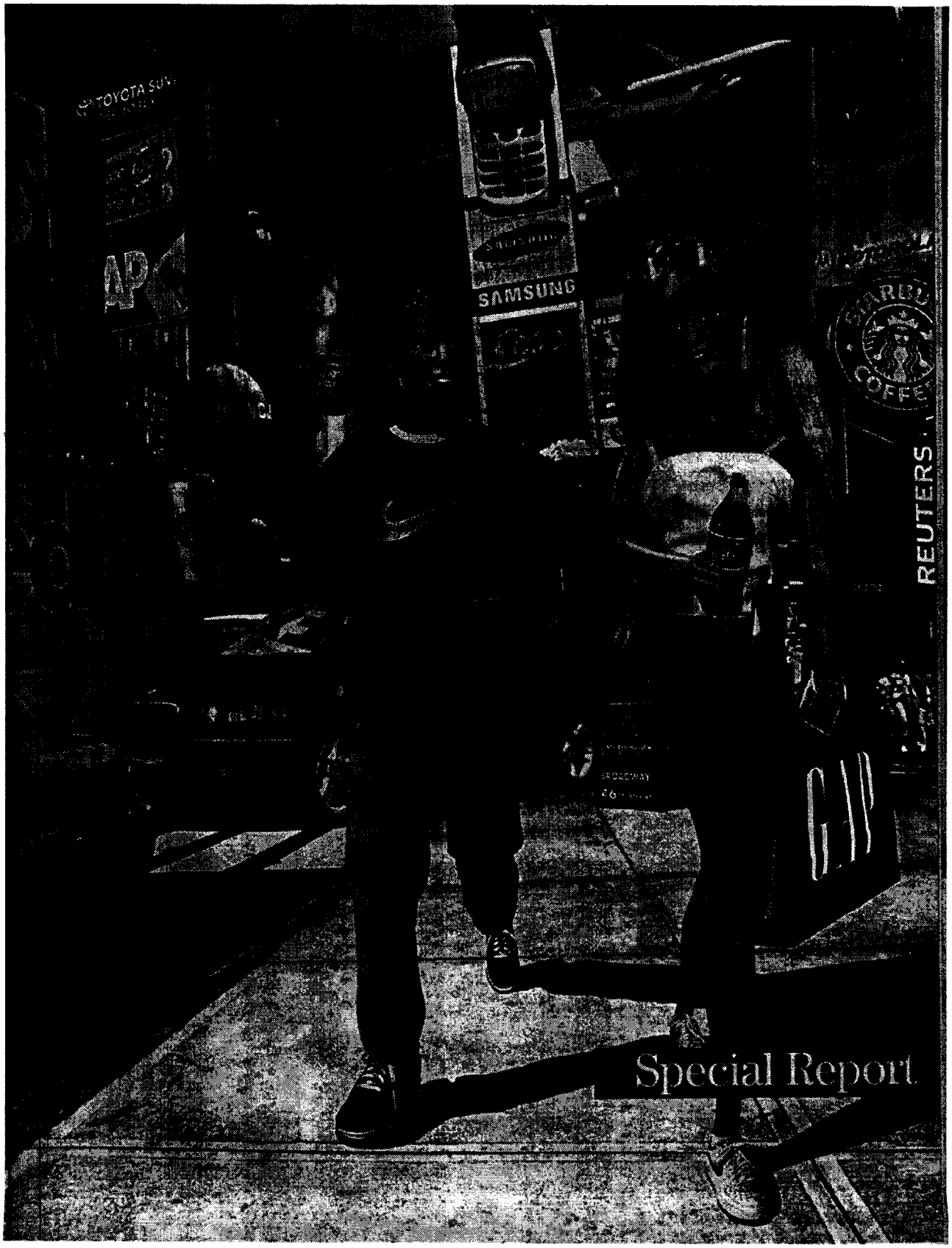
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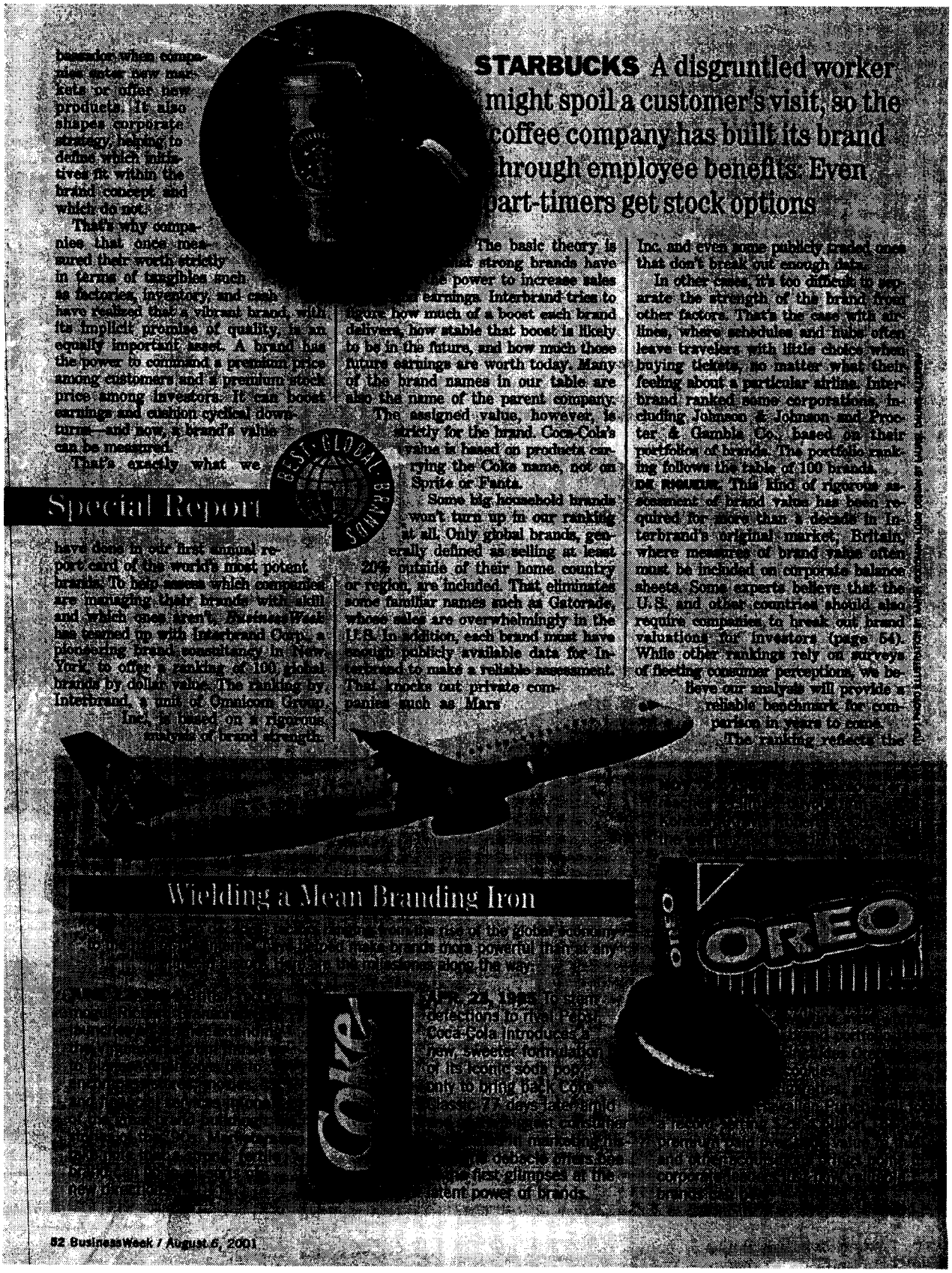


STARBUCKS A disgruntled worker might spoil a customer's visit, so the coffee company has built its brand through employee benefits. Even part-timers get stock options

Special Report

Wielding a Mean Branding Iron

Interbrand

Winners

Losers

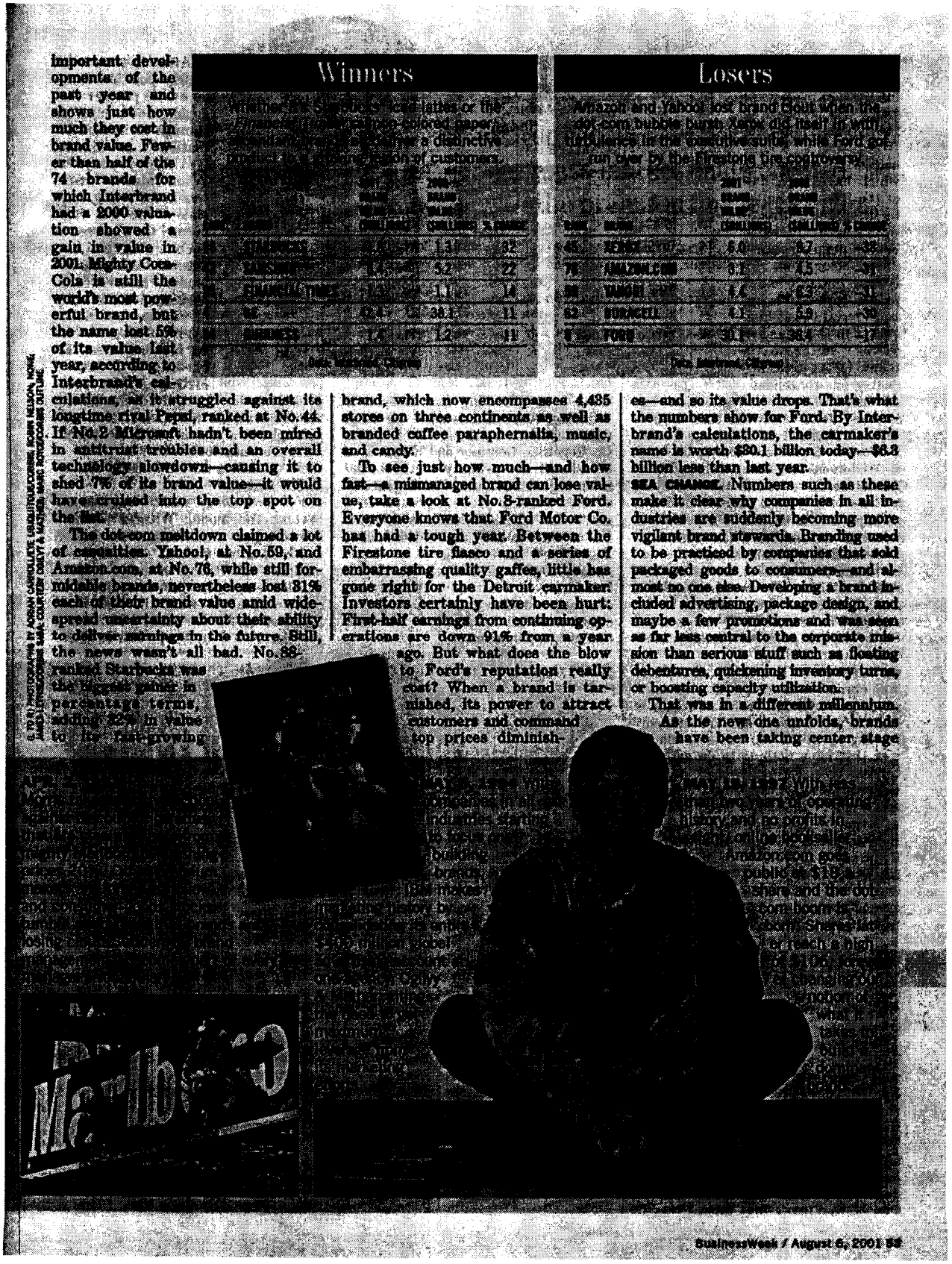
important developments of the past year and shows just how much they cost in brand value. Fewer than half of the 74 brands for which Interbrand had a 2000 valuation showed a gain in value in 2001. Mighty Coca-Cola is still the world's most powerful brand, but the name lost 5% of its value last year, according to Interbrand's calculations, as it struggled against its longtime rival Pepsi, ranked at No. 44. If No. 2 Microsoft hadn't been mired in antitrust troubles and an overall technology slowdown—causing it to shed 7% of its brand value—it would have cruised into the top spot on the list.

The dot-com meltdown claimed a lot of casualties. Yahoo!, at No. 59, and Amazon.com, at No. 76, while still formidable brands, nevertheless lost 31% each of their brand value amid widespread uncertainty about their ability to deliver earnings in the future. Still, the news wasn't all bad. No. 88-ranked Starbucks was the biggest gainer in percentage terms, adding 82% in value to its fast-growing brand, which now encompasses 4,435 stores on three continents as well as branded coffee paraphernalia, music, and candy.

To see just how much—and how fast—a mismanaged brand can lose value, take a look at No. 8-ranked Ford. Everyone knows that Ford Motor Co. has had a tough year. Between the Firestone tire fiasco and a series of embarrassing quality gaffes, little has gone right for the Detroit carmaker. Investors certainly have been hurt: First-half earnings from continuing operations are down 91% from a year ago. But what does the blow to Ford's reputation really cost? When a brand is tarnished, its power to attract customers and command top prices diminishes—and so its value drops. That's what the numbers show for Ford. By Interbrand's calculations, the carmaker's name is worth $30.1 billion today—$6.8 billion less than last year.

SEA CHANGE. Numbers such as these make it clear why companies in all industries are suddenly becoming more vigilant brand stewards. Branding used to be practiced by companies that sold packaged goods to consumers—and almost no one else. Developing a brand included advertising, package design, and maybe a few promotions and was seen as far less central to the corporate mission than serious stuff such as floating debentures, quickening inventory turns, or boosting capacity utilization.

That was in a different millennium. As the new one unfolds, brands have been taking center stage



Best in Class

How some big brands stack up in two industries

AUTOMOTIVE

RANK	BRAND	PERCENT CHANGE IN BRAND VALUE
9	FORD	-17
12	MERCEDES	-3
14	TOYOTA	-1
21	HONDA	-4
22	BMW	-7
38	VOLKSWAGEN	-46
43	HARLEY-DAVIDSON	-4

TECHNOLOGY

RANK	BRAND	PERCENT CHANGE IN BRAND VALUE
3	IBM	-1
6	INTEL	-11
11	HEWLETT-PACKARD	-13
18	CISCO	-18
24	COMPAQ	-15
32	DELL	-13
40	APPLE	-17
64	TEXAS INSTRUMENTS	NA

in a sweeping shift that some compare to the wave of mass marketing that occurred in the years following World War II. Pharmaceutical companies, which have been liberated to promote their products directly to consumers, have been spending hundreds of millions to create entirely new brands such as Viagra and Claritin. Branding efforts in the financial services sector have taken off as that industry has consolidated and as federal legislation has knocked down the walls that used to separate banks from brokerage houses. Professional services companies such as Andersen Consulting, rebranded as Accenture, have realized that conveying a sense of trust and shared mission is as important as technical competence in winning multimillion-dollar contracts. Universities, government agencies, entertainment properties, and even individuals—Michael Jordan, Martha Stewart, Madonna—have come to be regarded as brands. Their names stand for an implicit promise of quality, innovation, or reliability.

ON A MISSION. That's why executives who earned their stripes at consumer-goods powerhouses such as Procter & Gamble and PepsiCo Inc. are suddenly turning up in the top ranks of companies that have nothing to do with detergent or snack foods. Back in 1994, General Motors Corp. was one of the first when it turned to Ronald L. Zarrella, former president of Bausch & Lomb Inc., to teach it brand management. Citigroup, on the way to building Citibank into the 13th-ranked brand on our list, recruited a slew of marketing professionals from H.J. Heinz, Philip Morris, and other consumer-products companies.

Why do companies that sell to other businesses, rather than directly to consumers, need to manage their brands? For the same reason that Coke and P&G do: to give themselves a leg up in the marketplace. Just look what it did for No. 3-ranked IBM. Branding played a huge role in the computer maker's remarkable reinvention in the 1990s under Chairman Louis V. Gerstner Jr. One of Gerstner's first moves was to bring in a marketing czar steeped in branding, Abby Kohnstamm, his longtime associate at American Express Co. Together, Gerstner and Kohnstamm reasserted the primacy of the brand in an organization that had degenerated into warring product groups. In a move that shocked Madison Avenue, Kohnstamm in 1994 consolidated all of Big Blue's advertising at a single agency, Ogilvy & Mather Worldwide Inc. Her goal was to give the far-flung company a unified and consistent message across all its products, services, and geographic markets.

After it took over, Ogilvy positioned IBM as a wise partner that could guide companies through their transformation into nimble, Net-savvy players. When Internet mania was in full swing, IBM's slice-of-life ads lampooned the excesses of Web culture. And when the dot-coms imploded, IBM was well positioned as "a voice of reason—not about hype, but about steering a clear course," according to Maureen McGuire, IBM's vice-president for integrated marketing communications worldwide. Not surprisingly, in a year in which most technology brands took a bath in terms of their valuation, IBM held nearly steady, at $53 billion.

For technology marketers, IBM has become the model. Witness German software giant SAP, a brand that came in at No. 43 in our ranking. A massive but muddled advertising campaign in 1999 had left employees just as confused as customers about what the company's brand stood for. SAP hired a marketing veteran from Sony Corp., Martin Hom-

COMMENTARY

By Neil Gross

VALUING 'INTANGIBLES': A TOUGH JOB, BUT IT HAS TO BE DONE

Special Report

Interbrand

(TOP) PHOTO ILLUSTRATION BY AARON GOODMAN; PHOTOGRAPH COURTESY APPLE

lish, to orchestrate its next moves. "It became clear to us that technology marketing is not just talking about your technology," says Hasso Plattner, SAP's co-CEO. "You need a clear message."

When Homlish arrived at SAP as chief marketing officer, he and the seasoned marketing executives that he recruited first set about establishing a coherent message for the company. "The first mission was to have a mission," says Susan Popper, senior vice-president for global advertising and an ad-agency veteran. "We had to move from a product-driven to a brand-driven culture."

Homlish insisted that all the company's product names, logos, brochures, and Web pages have a consistent look: "speaking SAPanese," he calls it. To make that easier to accomplish, he borrowed a page directly out of the IBM playbook and consolidated all global advertising at Ogilvy & Mather. So far, the marketing pros seem to be succeeding: SAP was that rare phenomenon—a technology company with a brand that

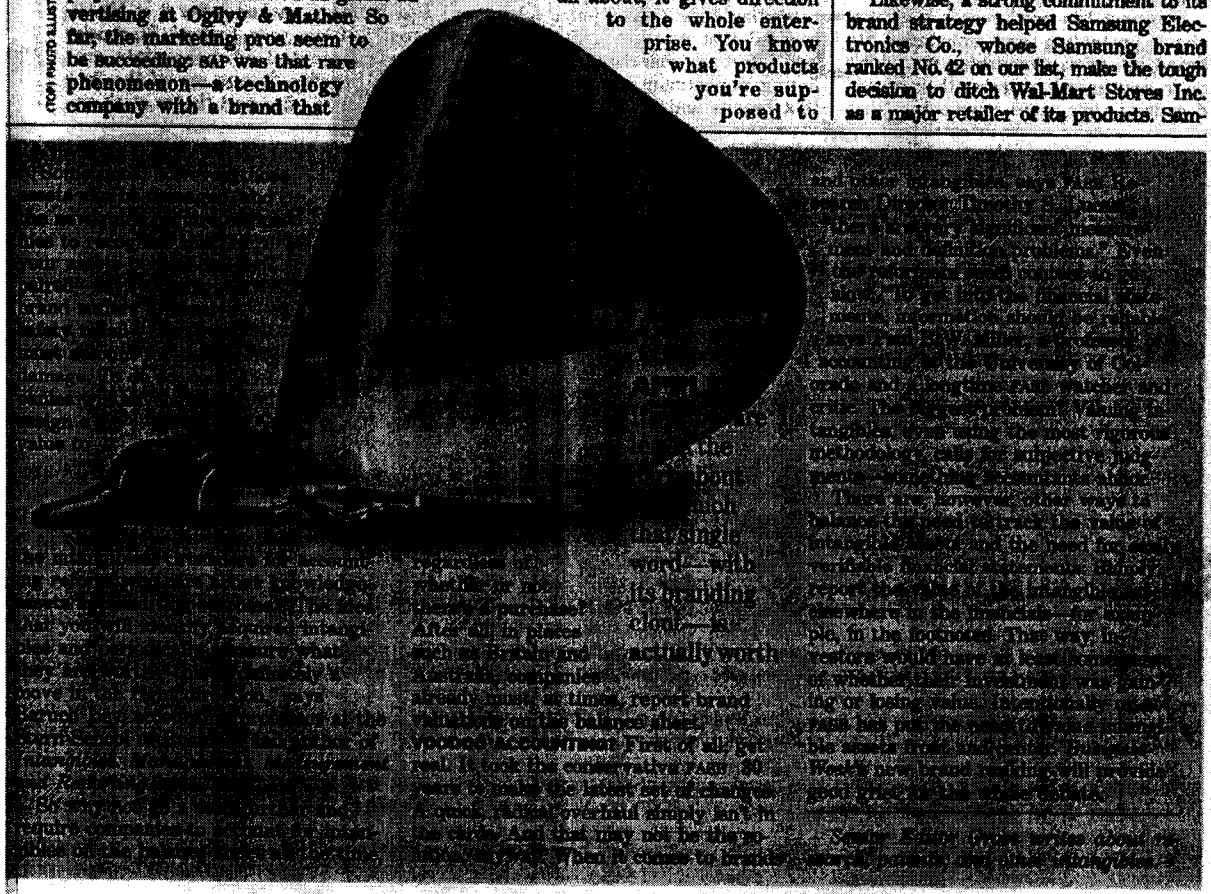
SAMSUNG When the maker of electronic gear headed upmarket, it dropped Wal-Mart with a clang: The mass-market chain clashed with the premium image it sought

...ctually increased in ...lue over the past year, ...sting a 3% gain.

A strong brand not only helps customers understand an organization but it also imparts a sense of mission inside the company. Since employees embody the brand to consumers, it's vital that they understand and embrace brand values. "If they can't articulate to the outside world what the brand is all about, then who can?" says Shelly Lazarus, chairman of Ogilvy & Mather, whose clients, in addition to IBM and SAP, include American Express and Ford, both in the top 20 in our brand ranking. "Once an enterprise understands what the brand is all about, it gives direction to the whole enterprise. You know what products you're supposed to make and not make. You know how you're supposed to answer your telephone. You know how you're supposed to package things. It gives a set of principles to an entire enterprise."

UPWARDLY MOBILE? When managers have a clearly articulated sense of the brand, it can also help to guide basic strategy. When Boeing, No. 63 in our ranking, thought about expanding into areas beyond its core aircraft operations, top executives thought carefully about what, exactly, the Boeing brand stood for. Once the organization defined itself as a global aerospace-technology company instead of just an airplane builder, moving into satellites and aircraft services became easy decisions.

Likewise, a strong commitment to its brand strategy helped Samsung Electronics Co., whose Samsung brand ranked No. 42 on our list, make the tough decision to ditch Wal-Mart Stores Inc. as a major retailer of its products. Sam-



Interbrand

sung, which gained 22% in brand value last year, is trying to move up the value chain. Selling Samsung products at Wal-Mart made sense back when the South Korean electronics company aspired to churning out low-end electronic gadgets. Now, however, the company is attempting to move into more innovative, higher-margin items, such as voice-activated mobile phones that double as digital music players and personal digital assistants. Those are products that many consumers may be trying for the first time, thus giving a new brand like Samsung a big opportunity. "That transition and our strategy to move upmarket very aggressively are the main reasons why our brand improved rapidly," says Eric Kim, Samsung's marketing chief. Having its products appear in a mass-market discounter such as Wal-Mart hampered Samsung's attempts to build a premium image.

Samsung has good reason to worry about protecting and enhancing its brand integrity. Companies that don't do so run the risk of seeing their brands degenerate into mere commodities that

BOEING Expanding beyond aircraft itself as a global aerospace-technology

[illegible] customers shop [illegible] for strictly on the [illegible] basis of price. That [illegible] drift can lop off mil[illegible] [illegible]ons in brand value [illegible] and market capitaliza[illegible] [illegible]on, sometimes with as[illegible] [illegible]ishing speed. Philip Mor[illegible] Cos. found that out back in 1993 when it slashed the price of its flagship Marlboro cigarette brand on what came to be known as Marlboro Friday.

That tacit acknowledgement that the rise of discount brands was burning into Marlboro's market share led investors to fear that the big brands were losing their pricing clout. The result: an immediate plunge in stock prices for consumer-goods companies across the board. The episode "really raised the bar on accountability," recalls Jan Lindemann, global director for brand valuation at Interbrand. "It was the point at which marketing directors and brand managers realized that what they did had a direct effect on shareholder value. Marketing departments had to recognize that brands and brand managers were going to be held more accountable."

Marlboro Friday turned out to be a wake-up call, not a death knell for big brands. At many companies, the soul-searching that followed ushered in a period of increased marketing budgets, stepped-up product innovation, and experiments with more compelling ways to reach consumers. Companies have learned the importance of the customer experience. They're scrutinizing every customer contact and every activity, from call centers to the way the company's trucks are painted to the selection of magazines in the lobby, to make sure they are in sync with the core values of the brand.

PERKING MERRILY. Perhaps no brand has done a better job of that than Starbucks. In 20 years, the Seattle company has grown from 18 coffee shops to 4,435. Over that entire period, it has spent maybe $20 million on traditional advertising, a pittance next to the $30 million that Pampers, ranked below it at No. 92, spent just last year. Instead, Starbucks plowed potential ad money into employee benefits. It was one of the first companies to offer part-timers stock op-

© TO RI PHOTO ILLUSTRATIONS BY AARON GOODMAN; STEPHEN KENNY/EW WITH ORIGINAL PHOTOGRAPHY BY BERND AUERS

COMMENTARY

By Gerry Khermouch

WHY ADVERTISING MATTERS MORE THAN EVER

H[illegible]

[illegible] features or a logo or an adver[illegible] [illegible] line but as a relationship with [illegible] consumer. And just as one's friend[illegible] [illegible] need to be kept in good repair [illegible] relationships can be main[illegible] only through consistency. The [illegible] budget pays for much of [illegible] needed face time.

[illegible] So what's the ad-spending out[illegible] look like this time? Certainly, ad [illegible] agencies and media sales staffs [illegible] have been doing their best to re[illegible] mind advertisers that history has [illegible] way of repeating itself. They [illegible] point to the last downturn, in the [illegible] early 1990s, when private-label products [illegible] to prominence while packaged-goods marketers slashed their budgets. And while it's not definitive, some re[illegible] suggests that the best way to [illegible] share is to sustain your spending [illegible] a downturn as your rivals are [illegible] back. That's how cereal maker Kellogg leapfrogged C.W. Post during the Depression, and how Pizza Hut and [illegible]

[illegible] Electronic Data Systems [illegible] lots of companies take the short view. With unrelenting pressure from Wall Street to hit their earnings [illegible] it's not hard to see why. Cutting back on ad spending for a quarter or two seems like an easy way to make the numbers. Some, including Delta Air Lines Inc. and General [illegible] reacted quickly to slowing [illegible] this year by [illegible] gets. Overall, U.S. [illegible] first four months [illegible] from last year [illegible] Competitive Media Reporting [illegible] this spring [illegible]

Special Report

BEST GLOBAL BRANDS

[illegible] for the budget-slashers.

It's dangerous, though, to give in to that temptation. "People who starve their brands now will be paying for it in the future," warns Kevin Lane Keller, marketing professor at Dartmouth University's Amos Tuck School of Business. After all, in an era of wide consumer choice among roughly comparable products, marketers have learned to think of their brands not so much as

Interbrand

meant a brand revamp. After Boeing redefined company, moving into new fields became easier

tions and health benefits. Why? Because for the Starbucks brand, the experience the consumer has in the store is crucial. A disgruntled employee or dirty restroom would break the pact Starbucks has with its customers. "If we want to exceed the trust of our customers, then we first have to build trust with our people," says Howard Schultz, Starbucks' chairman. "Brand has to start with the culture and naturally extend to our customers."

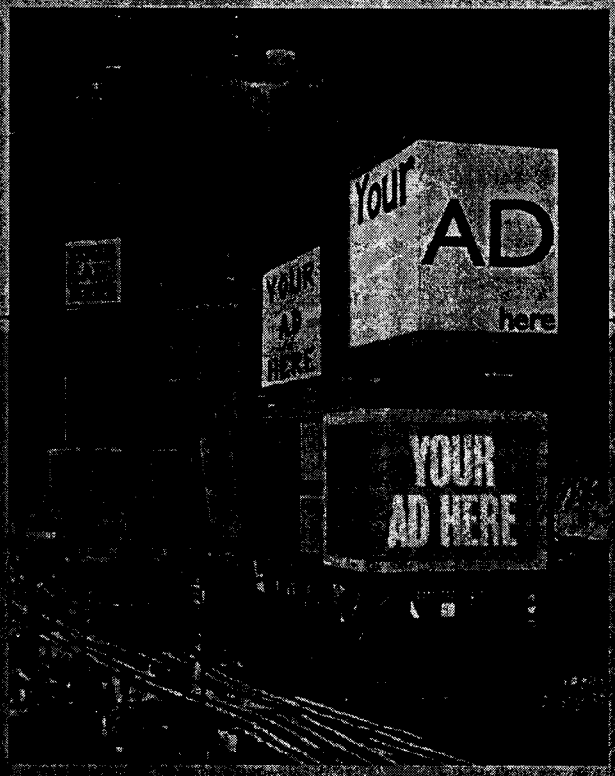
Employee benefits as a marketing tool? Why not, if that's what the brand requires. Besides, conventional advertising is no easy thing. As the dot-com bubble proved, massive advertising is not the same as brand-building. At the height of the boom, startups spent tens of millions of investor dollars familiarizing Web users with such new brands as eToys and Pets.com. In the end, too many of the dot-coms simply never got around to telling consumers what the brands stood for—or even what products or services the company offered. Now, many of those names are disappearing, along with the sock puppets and airborne gerbils that were their mascots.

Brand gurus predict that demands on brands will only increase in the coming decades. The 72 million members of Generation Y, who are now reaching their mid-20s, have exhibited the most social activism since the baby boomers in the 1960s. They are likely to base much of their consumption on the values they ascribe to the companies providing goods and services, predicts brand consultant Marc Gobé, author of *Emotional Branding: The New Paradigm for Connecting Brands to People*. This means that companies will have to make a far greater effort to ensure that the values communicated to consumers are consistent with its internal values. If it is not, they will be exposed. "You can fool some of the people some of the time—until they have a bad experience with your brand," warns David F. D'Alessandro, CEO of John Hancock Financial Services Inc. and author of *Brand Warfare: 10 Rules for Building the Killer Brand*. Those that make good on their promises, though, will be rewarded with a more loyal consumer base—and a brand that steadily grows in value. As managers are learning, a brand is not just an abstract concept. It's a treasured corporate asset.

By Gerry Khermouch in New York, with Stanley Holmes in Seattle and Moon Ihlwan in Seoul

BusinessWeek Online

For an online version of this report, which includes an interactive brand scoreboard, additional stories, and interviews, go to www.businessweek.com/go/brand.



THE 100 TOP BRANDS

Our first ranking of the world's most valuable brands

Special Report

The table that follows ranks 100 global brands that have a value greater than $1 billion. The brands we've selected according to two criteria. They had to be global in nature, deriving 20% or more of sales from outside their home country. There also had to be publicly available marketing and financial data on which to base the valuation. That excluded some big brands, such as Visa, ups, Mars, and sap. The table of individual brands is followed by a table of leading brand portfolios, since some companies create significant brand value by managing a group of brands: Procter & Gamble, for example, owns Pampers, Crest, and Olay.

There are many ways to rank brands. Some rankings rely on little more than opinion polls or ad expenditures. *BusinessWeek* selected Interbrand's method because it values brands the same way analysts value other assets: on the basis of how much they're likely to earn going forward. Those future earnings are then discounted to a present value based on how risky the earnings are, that is, the likelihood that they will actually materialize.

To start the process, Interbrand first figures out what percentage of overall revenues are accounted for by the brand. Next, with the help of analysts from Citigroup, Interbrand projects the net earnings for that segment of the business. Interbrand then deducts a charge for the cost of owning the tangible assets, on the theory that whatever income is generated beyond that cost is due to intangible factors. This is the economic value added by such intangibles as patents, customer lists, and, of course, the brand.

The next step is to winnow the earnings generated by the brand from the earnings generated by other intangibles. For example, are people buying Shell gas because of the brand name or because the gas station is conveniently located? Interbrand uses market research and interviews with industry executives to sift through those variables.

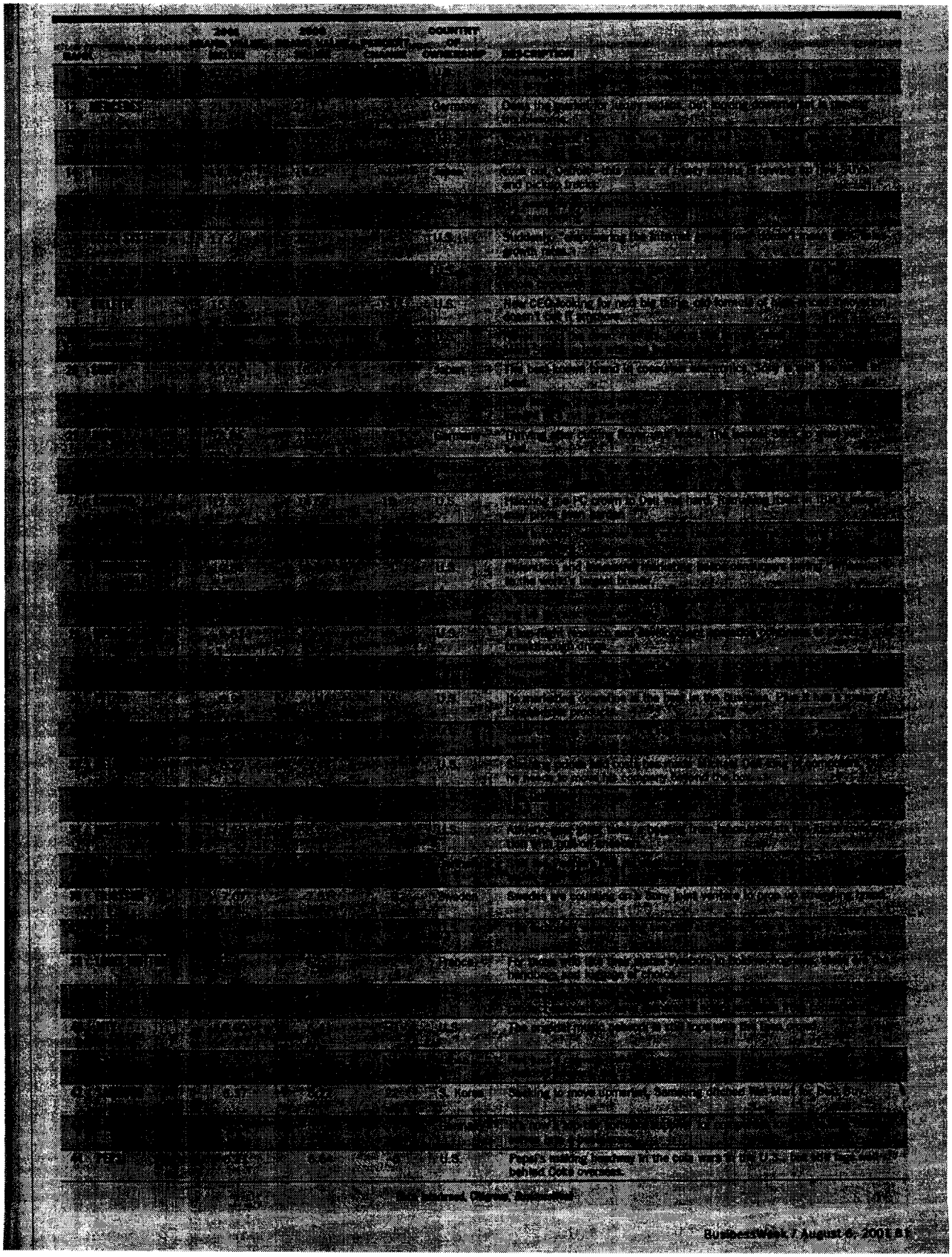
The third and final phase is to analyze the strength of the brand in order to figure out how risky those future brand earnings are. To calculate the brand's strength, Interbrand looks at seven factors, including the brand's market leadership, its stability, and its ability to cross geographical and cultural borders. The risk analysis produces a discount rate, which is applied to the brand earnings to come up with a net present value of the brand. *BusinessWeek* and Interbrand believe that this figure comes closest to representing the true economic value of that complex array of forces that make up a brand.

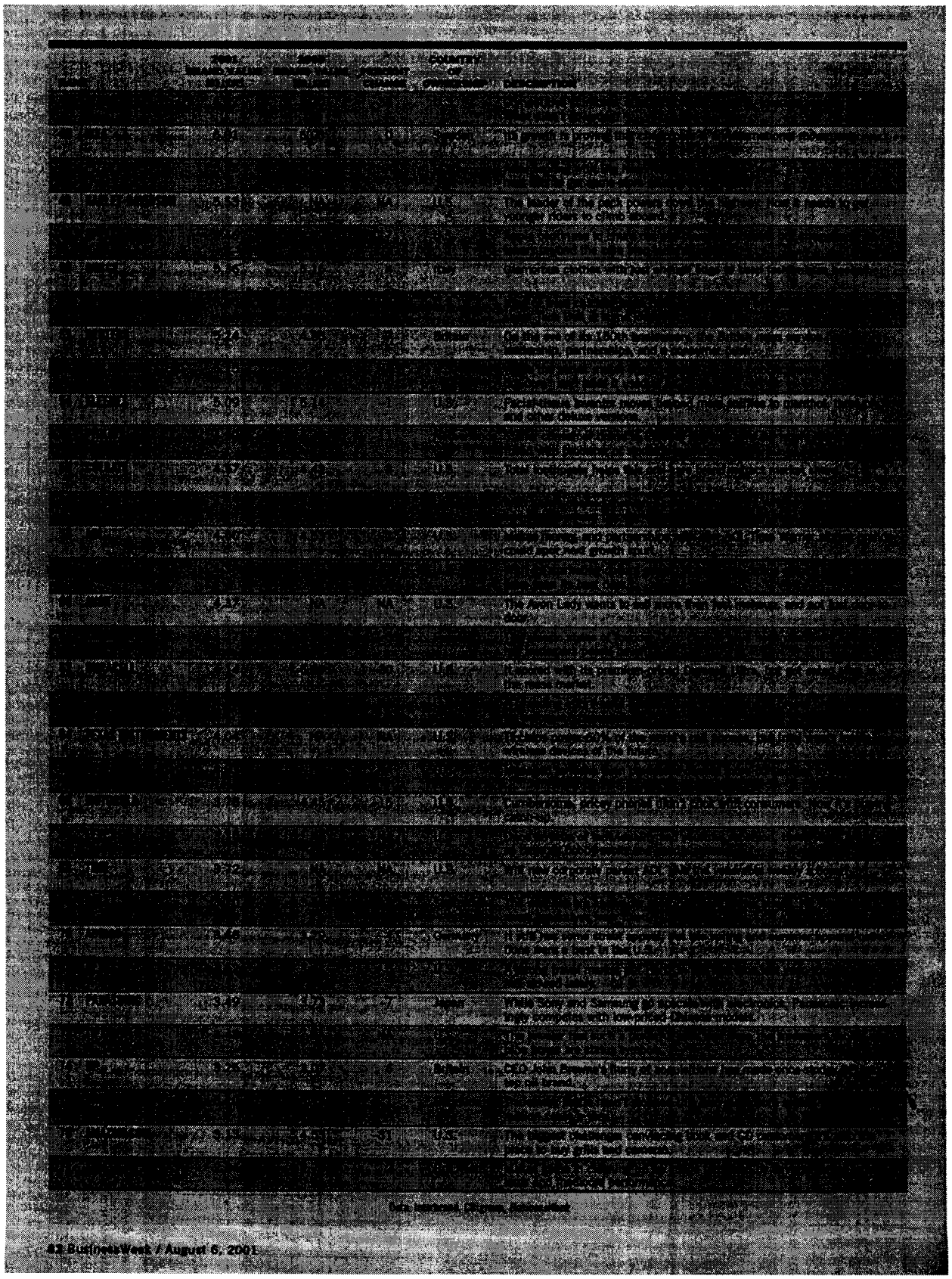
The Global Brand Scoreboard

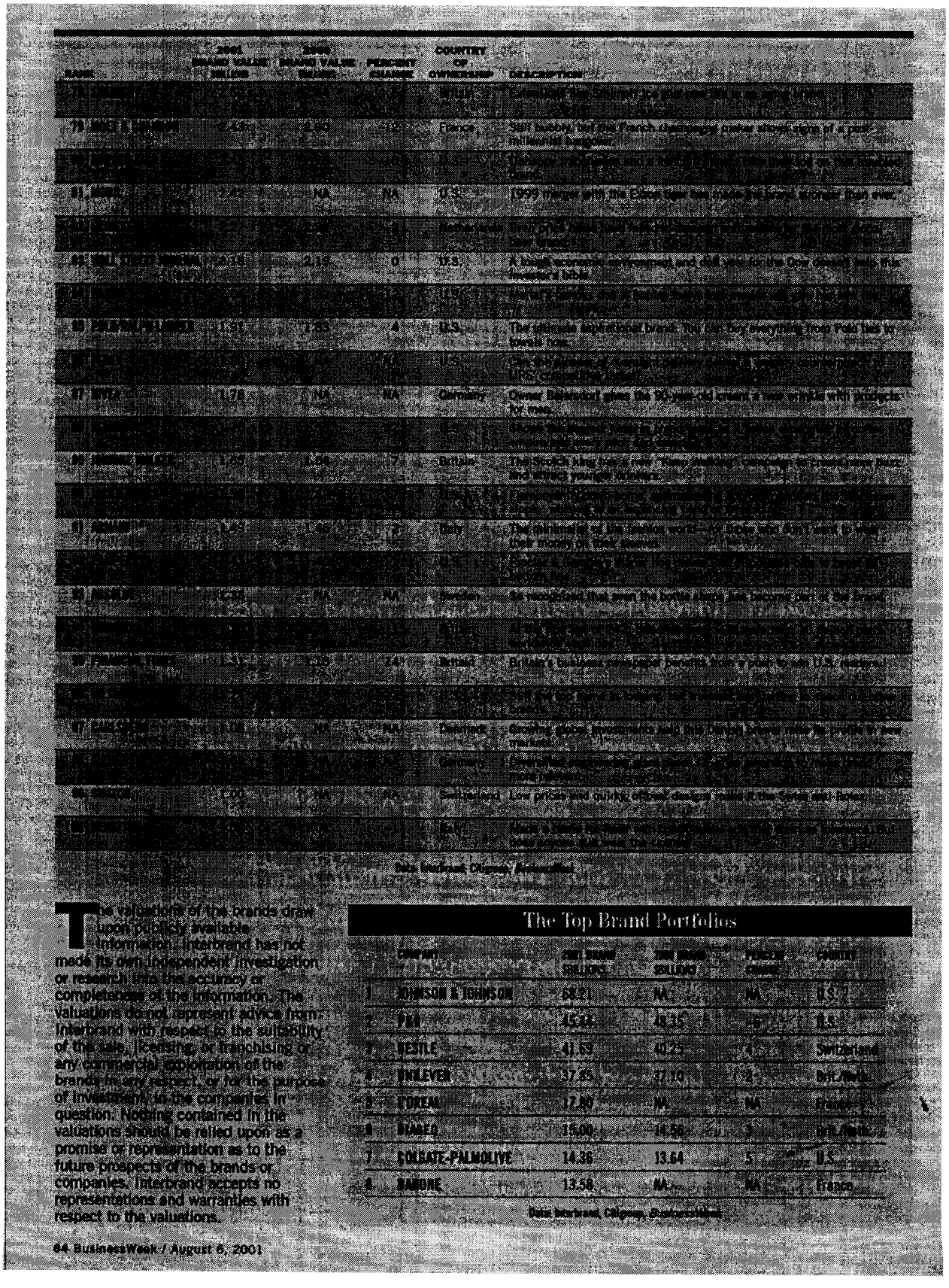
RANK	NAME	2001 BRAND VALUE ($ BILLIONS)	2000 BRAND VALUE ($ BILLIONS)	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
1	[illegible]	[illegible]	[illegible]	[illegible]	U.S.	Coke is still No. 1, but can it long go it alone in developing markets?
2	Microsoft	65.07	70.20	-7	U.S.	Microsoft is unleashing its biggest product wave ever, topped by Windows XP.
3	[illegible]	[illegible]	[illegible]	[illegible]	U.S.	Does the tech giant's big push into services herald a change in Cisco's focus and culture?
4	IBM	49.40	53.19	-11	U.S.	The Tekkie brand? Not even tech-savvy consumers will crack open the value.
5	[illegible]	[illegible]	[illegible]	[illegible]	Finland	The company that gave phones personality is on the ropes in the hotly competitive mobile arena.
6	Intel	34.67	39.05	-11	U.S.	"Intel Inside" ads lifted the chipmaker to the top. But the rising PC sales and price wars make it a struggle to stay there.
7	[illegible]	[illegible]	[illegible]	[illegible]	U.S.	Despite new home parks, Mickey remains at the mercy of the movie, TV, and ticket-sales cycle. Even a new CEO can't change that.
8	Ford	33.09	36.37	-9	U.S.	The Firestone fiasco and other quality gaffes hit the No. 2 carmaker.
9	[illegible]	[illegible]	[illegible]	[illegible]	U.S.	Europe's most valuable brand. Like rival GE, it has impressive earnings. Will 2001 keep shine?
10	AT&T	22.83	25.55	-11	U.S.	AT&T has the most powerful brand in telecom, but it's losing market share.

Data: Interbrand, Citigroup, *BusinessWeek*

Interbrand







RANK	2001 BRAND VALUE $MILLION	2000 BRAND VALUE $MILLION	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
				(U.K.)	Extended the Samsonite line and now has an apparel brand.
79	2,437	2,400	+12	France	Still bubbly, but the French champagne maker shows signs of a post-millennial hangover.
				U.S.	The luggage maker and a handful of other brands were bought by Vista Equity Partners.
81	2,422	NA	NA	U.S.	1999 merger with the Estée Lauder line made the brand stronger than ever.
				Netherlands	Philips sold its stake in the company, but the brand remains a key component of the new brand.
83	2,318	2,219	0	U.S.	A tough economic environment and dull year for the Dow doesn't help this investment bank.
				(U.S.)	Market leader was a positive force in the economy and the stock market.
85	1,991	1,933	4	U.S.	The ultimate aspirational brand. You can buy everything from Polo but to travel for.
				U.S.	One of the world's largest package delivery companies. Its brand is UPS. Competitors beware.
87	1,778	NA	NA	Germany	Owner Reimann group gave the 90-year-old cream a new image with projects for men.
				U.S.	Home improvement retailer is expanding in Europe and Asia. Its brand is The Home Depot.
89	1,693	1,664	7	Britain	The Scotch king has a new "Keep walking" campaign to create more buzz and attract younger drinkers.
				U.S.	Fast-growing online auction company. Its brand is eBay.
91	1,649	1,466	7	Italy	The diplomat of the fashion world — for those who don't want to wear their money on their sleeves.
				Sweden	Its reputation that even the bottle shape has become part of the brand.
				Britain	A real hot spot.
95	1,531	1,335	14	Britain	Britain's business newspaper benefits from a push to win U.S. readers.
				Germany	Strong global investments and the Dutch Philips make the profits in new markets.
97	1,501	NA	NA	Germany	Diversified engineering and electronics company. Its brand is Siemens.
				Germany	Diversified engineering and electronics company. Its brand is Siemens.
99	1,500	NA	NA	Switzerland	Low prices and cutting-edge designs made it the Swiss star retailer.
				(U.S.)	Made a splash in Asia with its Internet portal. Its brand is Yahoo!.

Data Interbrand, Citigroup, Businessweek

The Top Brand Portfolios

	COMPANY	2001 BRAND VALUE $BILLIONS	2000 BRAND VALUE $BILLIONS	PERCENT CHANGE	COUNTRY
1	JOHNSON & JOHNSON	68.21	NA	NA	U.S.
2	P&G	45.44	48.35	-6	U.S.
3	NESTLE	41.59	40.25	4	Switzerland
4	UNILEVER	37.65	37.10	2	Brit./Neth.
5	L'OREAL	17.80	NA	NA	France
6	BIAGEO	15.00	14.56	3	Brit./Neth.
7	COLGATE-PALMOLIVE	14.36	13.64	5	U.S.
8	DANONE	13.58	NA	NA	France

Data Interbrand, Citigroup, Businessweek

The valuations of the brands draw upon publicly available information. Interbrand has not made its own independent investigation or research into the accuracy or completeness of the information. The valuations do not represent advice from Interbrand with respect to the suitability of the sale, licensing, or franchising or any commercial exploitation of the brands in any respect, or for the purpose of investment in the companies in question. Nothing contained in the valuations should be relied upon as a promise or representation as to the future prospects of the brands or companies. Interbrand accepts no representations and warranties with respect to the valuations.

Creating and managing brand value

Interbrand

Founded in 1974, Interbrand serves the world with 34 offices in 22 countries. Working in close partnership with our clients we combine the rigorous strategy and analysis of brand consulting with world-class design and creativity.

We offer a range of services including research, strategy, naming and verbal identity, corporate identity, package design, retail design, internal brand communications, corporate reporting, digital branding tools, integrated marketing services, and brand valuation.

We enable our clients to achieve greater success by helping them to create and manage brand value.

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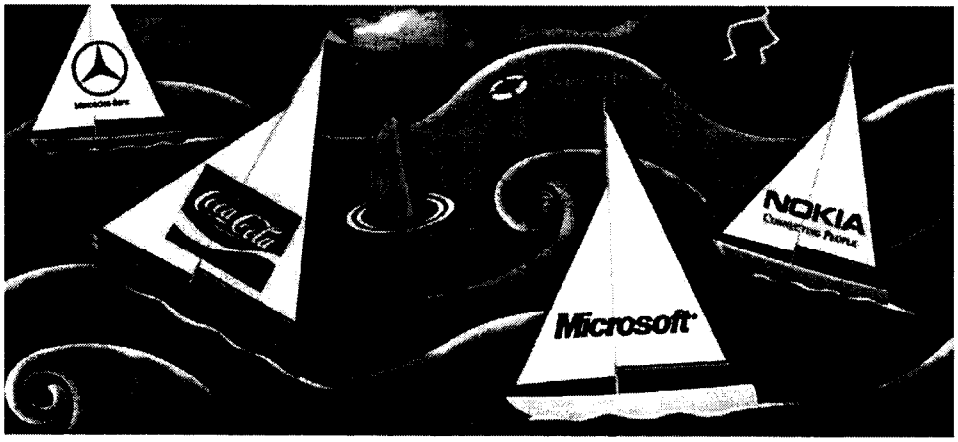


THE BEST GLOBAL BRANDS

BusinessWeek and **INTERBRAND** tell you what they're worth

Special Report

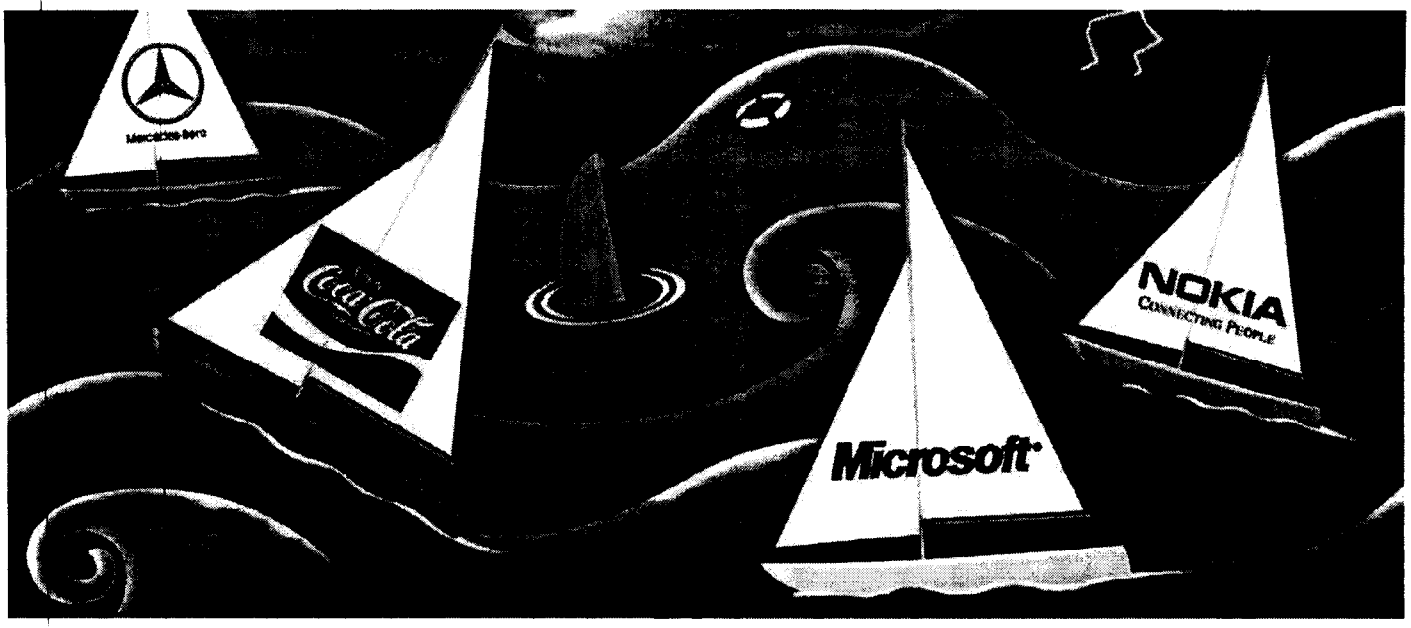
Wireless phones. Consumer electronics. Memory chips. Could you pick three tougher lines of business to be in right now? Somehow, with just such a portfolio, Samsung Electronics Co. managed to more than double its profits in the most recent quarter, to $1.6 billion.

How? Once a humdrum manufacturer of commodity electronics largely sold under other companies' names, South Korea-based Samsung is reaping the rewards of moving aggressively into higher-end products that carry fatter profit margins. It has invested heavily to produce cutting-edge designs, from flat-panel TV monitors that can be hung on walls like paintings to an elegantly thin DVD player. The company moved up the memory-chip price chain to sell more devices to video game makers. And it became the No.3 producer of cell phones, with a premium-priced line that includes handsets with color screens.

But just as critical as the turnover in product was the face-lift Samsung gave its brand. Last year, it took a first stab at creating a new image with visually arresting ads such as one that posed an impossibly stylish woman in blue makeup, yellow nail polish, and ostrich feathers next to one of its TV monitors. This year, it plans to spend $200 million on ads focused on the company's promise to provide a "DigitAll Experience." That's an attempt to drive home the link between Samsung's new upscale image and the lifestyle its customers crave, says Eric B. Kim, executive vice-president for global marketing operations. Says Kim: "This is our first attempt to be at the leading edge rather than being a follower."

Now more than ever, companies see the power of a strong brand. At a time when battered investors, customers, and employees are questioning whom they can trust, the ability of a familiar brand to deliver proven value flows straight to the bottom line. If, shaken by the plummeting stock market and concerned about the security of their jobs, consumers start cutting back on spending, they're more likely to stick with names they know they can rely on. "When a brand earns our trust, we not only repeat our purchases, but we also tell all of our friends about it," says David Martin, U.S. president of New York-based In-

JOHN ULLMAN



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Special Report

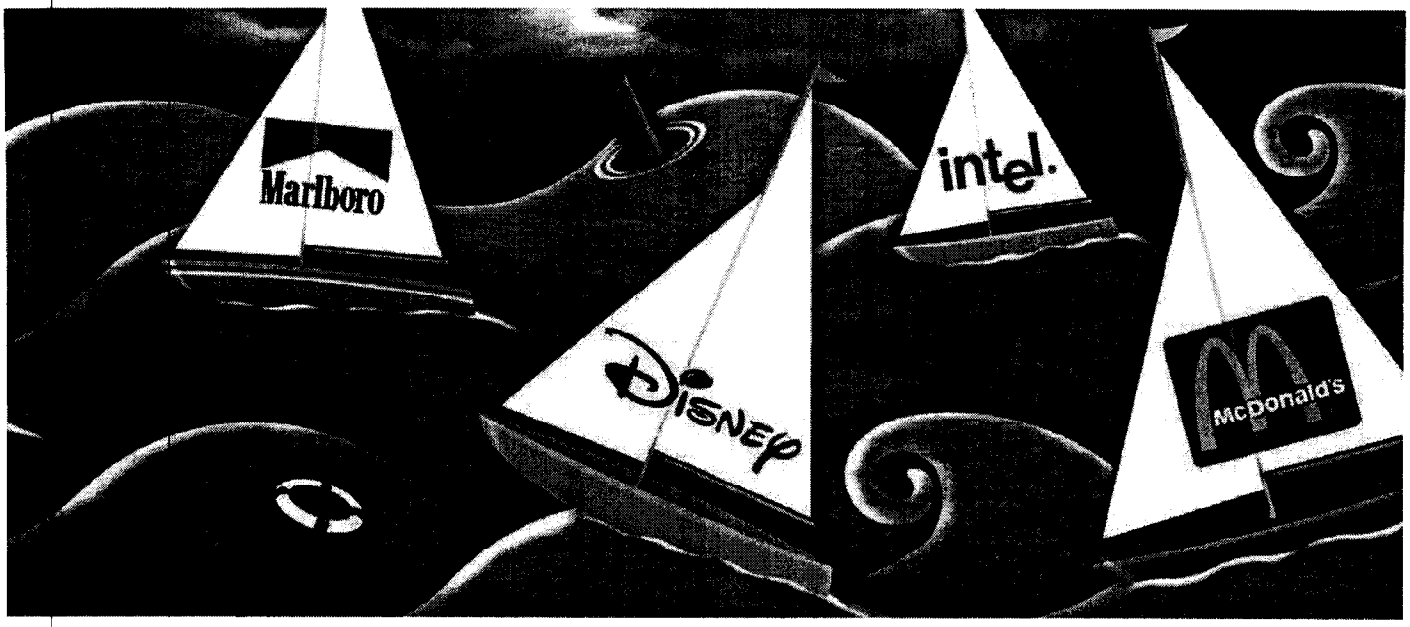
Wireless phones. Consumer electronics. Memory chips. Could you pick three tougher lines of business to be in right now? Somehow, with just such a portfolio, Samsung Electronics Co. managed to more than double its profits in the most recent quarter, to $1.6 billion.

How? Once a humdrum manufacturer of commodity electronics largely sold under other companies' names, South Korea-based Samsung is reaping the rewards of moving aggressively into higher-end products that carry fatter profit margins. It has invested heavily to produce cutting-edge designs, from flat-panel TV monitors that can be hung on walls like paintings to an elegantly thin DVD player. The company moved up the memory-chip price chain to sell more devices to video game makers. And it became the No. 3 producer of cell phones, with a premium-priced line that includes handsets with color screens.

But just as critical as the turnover in product was the facelift Samsung gave its brand. Last year, it took a first stab at creating a new image with visually arresting ads such as one that posed an impossibly stylish woman in blue makeup, yellow nail polish, and ostrich feathers next to one of its TV monitors. This year, it plans to spend $200 million on ads focused on the company's promise to provide a "DigitAll Experience." That's an attempt to drive home the link between Samsung's new upscale image and the lifestyle its customers crave, says Eric B. Kim, executive vice-president for global marketing operations. Says Kim: "This is our first attempt to be at the leading edge rather than being a follower."

Now more than ever, companies see the power of a strong brand. At a time when battered investors, customers, and employees are questioning whom they can trust, the ability of a familiar brand to deliver proven value flows straight to the bottom line. If, shaken by the plummeting stock market and concerned about the security of their jobs, consumers start cutting back on spending, they're more likely to stick with names they know they can rely on. "When a brand earns our trust, we not only repeat our purchases, but we also tell all of our friends about it," says David Martin, U.S. president of New York-based In-

JOHN UELAND



terbrand Corp., a pioneering brand consultant that teamed up with *BusinessWeek* to create our second annual ranking of the most valuable global brands.

Brands usually aren't listed on corporate balance sheets, but they can go further in determining a company's success than a new factory or technological breakthrough. That's because nurturing a strong brand, even in bad times, can allow companies to command premium prices. Purveyors of products ranging from Budweiser beer to BMW cars have been able to keep growing without succumbing to the pricing pressures of an intensely promotional environment. A strong brand also can open the door when growth depends on breaking into new markets. Starbucks Corp., among the fastest-growing brands, recently set up shop in Vienna, one of Europe's café capitals, and says 400 of its planned 1,200 new store openings this year will be overseas.

To sort out which global brands are holding their ground and which are crumbling, Interbrand and *BusinessWeek* created a ranking of the top 100 by dollar value. The list by Interbrand, a unit of Omnicom Group Inc., is based on the idea that strong brands have the power to lift sales and earnings. Interbrand attempts to figure out how much of a boost each brand delivers, how stable that boost is likely to be, and how much those future earnings are worth today. The value that is assigned is strictly for the products with the brand on them, not for others sold by that company. Therefore, Coca-Cola Co.—easily the top brand again this year, with a value approaching $70 billion—is ranked just on those products carrying the Coke name, not Sprite or Powerade.

Because Interbrand relies on a rigorous analysis of cash flows rather than mere consumer perceptions to calculate brand values, changes in the business climate or a category's economics can have a strong impact on those values. An economic downturn can erode values even among companies that have resisted the temptation to cut marketing budgets, slash prices, or compromise on quality. In today's perilous economic climate, it's no surprise, then, that 49 out of the 100 brands on our list—and 7 of the top 10—fell in value this year. That compares with 41 that dropped in value in our 2001 ranking. Some of the hardest-hit brands represent industries—telecommunications, finance, travel, and luxury goods—that have been body-slammed by the downturn.

Take Boeing Co., whose ambitious brand-influencing efforts—from advertising to relocating its headquarters from Seattle to Chicago—helped put it on the list last year at $4 billion. But September 11's devastating impact on air travel almost instantly put on hold airlines' plans to expand their fleets, causing Boeing's hard-won brand value to plunge 27% this year, to $3 billion—a billion dollars of value wiped out.

Still, some companies compounded the problems of a down economy with management missteps. AT&T plunged 30% in value, losing its place among the top 10 brands. The company spent hundreds of millions on aggressive, youth-oriented ads and upgraded the range of licensed products that bear the AT&T name in order to shed its stodgy Ma Bell image. But it didn't deliver enough exciting new products and services fast enough to sell customers on a "new" AT&T.

Amid the carnage, though, many companies found ways to add value to their brands. Samsung was easily the fastest-growing, its value rising an estimated 30% to $8.3 billion. While Coke continues to struggle to get back its rhythm in the U.S., its sales are still growing in the developing world, buttressed by a strong global marketing effort behind the World Cup. Thus, Coke eked out a 1% gain, adding $700 million in brand value. Despite losing some highly publicized battles in the courtroom over its tobacco liability, Philip Morris Cos. saw its venerable Marlboro brand push into the Top 10, adding 10% to its value. The company used deep pockets to squeeze rival brands out of prime display positions in stores.

Other winners exploited their strong brands by launching extensions into new products and categories. Too often, new fla-

The World's 10 Most Valuable Brands

RANK	BRAND	2002 BRAND VALUE ($BILLIONS)
1	COCA-COLA	69.6
2	MICROSOFT	64.1
3	IBM	51.2
4	GE	41.3
5	INTEL	30.9
6	NOKIA	30.0
7	DISNEY	29.3
8	McDONALD'S	26.4
9	MARLBORO	24.2
10	MERCEDES	21.0

Data: Interbrand Corp., J.P. Morgan Chase & Co.

Interbrand

vors, formulations, and packages wind up as barren exercises in market positioning that clog retail shelf space while offering consumers nothing truly different. But this year's ranking offers proof that the right line extensions can make a difference. H.J. Heinz Co. boosted its brand value by 4% with ingenious ways of driving consumer interest in ketchup, from squeezable bottles to versions spiced up with flavors such as Smokey Mesquite. Diageo PLC's once-tired Smirnoff vodka brand scored a 5% gain thanks to the success of a citrus-flavored, single-serve drink, Smirnoff Ice. Positioned as a sophisticated alternative to beer, Ice not only became a hit with younger consumers but also enticed them into giving a second glance to the core brand, which got a lift.

Winners

Samsung used bold designs to transform itself into a premium seller of consumer products. Baby boomers, meanwhile, pay Harley top dollar for a dash of rebel independence.

RANK	BRAND	2002 BRAND VALUE ($BILLIONS)	2001 BRAND VALUE ($BILLIONS)	% CHANGE
34	SAMSUNG	8.3	6.4	+30
91	NIVEA	2.1	1.8	+16
46	HARLEY-DAVIDSON	6.3	5.5	+13
31	DELL	9.2	8.3	+12
65	STARBUCKS	2.0	1.8	+12

Data: Interbrand Corp./J.P. Morgan Chase & Co.

Losers

The telecom debacle cut the legs out from under Ericsson and AT&T. Boeing still hasn't recovered from September 11, and Merrill Lynch got mauled by the bear market.

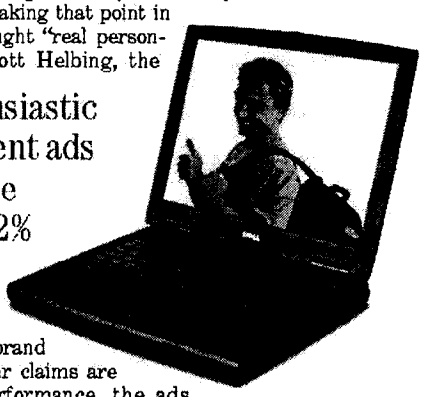
RANK	BRAND	2002 BRAND VALUE ($BILLIONS)	2001 BRAND VALUE ($BILLIONS)	% CHANGE
71	ERICSSON	3.6	7.1	-49
11	FORD	20.4	30.1	-32
17	AT&T	16.1	22.8	-30
82	BOEING	3.0	4.1	-27
25	MERRILL LYNCH	11.2	15.0	-25

Data: Interbrand Corp./J.P. Morgan Chase & Co.

The Nivea skin-care line shows how to strengthen a brand by branching out. Beiersdorf went further than a line extension or two in garnering a 16% brand-value rise for its unit. Starting with women's skin-care products and a carefully nurtured image of wholesomeness and natural ingredients, Nivea has moved into men's products, including deodorants, shampoos, and even a moisturizer dispensed from an electric razor. Nivea has dozens of products today, vs. a handful five years ago. "They are a classic example of how far you can go with brand extensions," says Jan Lindemann, Interbrand's global director for brand valuation.

SAMSUNG Heavy investment in design R&D has brought fatter profit margins

Advertising, of course, is one of the most direct ways to build a brand. But the danger in tough times is that you advertise price breaks and wind up cheapening a brand. That's why Dell Computer Corp.'s ability to see a 12% increase in brand value is so impressive. The PC maker gave its promotional ads an additional brand-building role. They feature an enthusiastic young character, "Steven," congratulating customers with "Dude, you're getting a Dell!"—driving home the point that customers can get exactly what they want at low prices. After years of making that point in a dry way, Steven brought "real personality to Dell," says Scott Helbing, the company's vice-president for global brand strategy.

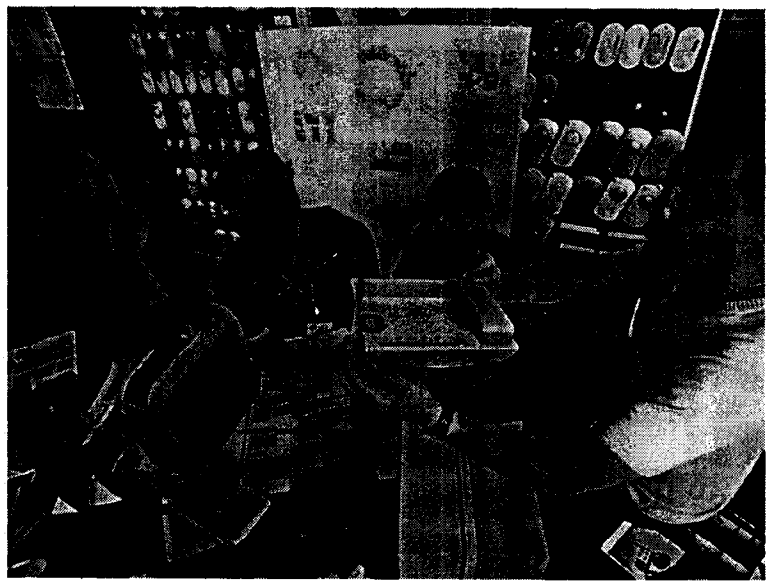


DELL The enthusiastic "Steven" of recent ads helped boost the brand's value 12%

But ads can take a brand only so far. And if their claims are not backed up by performance, the ads erode value. For that reason, employees are a crucial link to the consumer. If employees are motivated to reflect the core brand values in all their activities, that radiates out to customers, and on to friends and family. Such word-of-mouth endorsements—which in the Internet era can circle the globe instantly—can be far more convincing than any marketing campaign. Brand winners usually "have inculcated what's great about their companies up and down the organization," says Scott Bedbury, a former top marketer at Nike Inc. and Starbucks who now runs consultant Brandstream in Seattle.

Even the best corporate names are under attack these days. Still, those companies are reaping the benefits of years they spent building customer trust and honing images of quality and dependability. To weather an extended bout of distrust and instability, strong brands are crucial. Companies also will have to work doubly hard to keep them intact.

By Gerry Khermouch in New York



(BOTTOM) PHOTOGRAPH BY KI HO PARK/KISTONE

BusinessWeek online

For a video discussion of brand value and an interactive version of our scoreboard, go to the Aug. 5 edition online at www.businessweek.com

Interbrand

THE 100 TOP BRANDS

What's in a name? Plenty, if you play your cards right

It was a tough year to build a brand—or defend one against the corrosive effects of a bear market, financial scandals, and shifting consumer priorities. For proof, look no further than the fact that roughly half of the 100 global brands that Interbrand Corp. and *BusinessWeek* ranked this year fell in value compared with a year ago. In this environment, just holding your own is an accomplishment.

To qualify for our ranking, brands had to have a value greater than $1 billion. They were selected according to two criteria: They had to be global in nature, deriving 20% or more of sales from outside their home country. They also had to have publicly available marketing and financial data on which to base the valuation. That excluded some big brands, such as Visa International, the BBC, and Mars.

How do you place a value on a brand? Some attempts rely on little more than opinion polls or ad spending. *BusinessWeek* selected Interbrand's method because it values brands the same way analysts value other assets: on the basis of how much they're likely to earn in the future. Those projected profits are then discounted to a present value based on how risky the projected earnings are—that is, the likelihood that they will in fact materialize.

To start the process, Interbrand first figures out what percentage of overall revenues are accounted for by the power of the brand. Next, with the help of analysts from J.P. Morgan Chase & Co., Interbrand projects net earnings for that segment of the business. Interbrand then deducts a charge for the cost of owning the tangible assets, on the theory that whatever income is generated beyond that cost is due to intangible factors. This is the economic value added by things like patents, customer lists, and, of course, the brand.

The next step is to winnow the earnings generated by the brand from the earnings generated by other intangibles. For example, are people buying Shell gasoline because of the brand name or because the gas station is conveniently located? Interbrand uses market research and interviews with industry executives to sift through those variables.

The final phase is to analyze the strength of the brand to figure out how risky those future brand earnings are. To calculate the brand's strength, Interbrand looks at seven factors, including the brand's market leadership, its stability, and its ability to cross geographical and cultural borders. The risk analysis produces a discount rate that is applied to the brand earnings to come up with a net present value of the brand. *BusinessWeek* and Interbrand believe this figure comes closest to representing the true economic value of that complex array of forces that make up a brand.

Special Report

The Global Brand Scoreboard

RANK		2002 BRAND VALUE $BILLIONS	2001 BRAND VALUE $BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
1	COCA-COLA	69.64	68.95	+1%	U.S.	Still the best brand by far. Growth in the developing world offset by lost new products like Diet Coke with Lemon.
2	MICROSOFT	64.09	65.07	-2	U.S.	Its name is still dragged through the courtroom, but the biggest challenge is stagnant PC purchases.
3	IBM	51.19	52.75	-3	U.S.	Good thing Big Blue was rebuilt on services, which remains the most promising segment for tech spending.
4	GE	41.31	42.40	-3	U.S.	The retirement of Jack Welch and angst over Corporate America took a toll on the GE name.
5	INTEL	30.86	34.67	-11	U.S.	"Intel Inside" put it on the map, but now the brand faces tough competition and sluggish PC sales.
6	NOKIA	29.97	35.04	-14	Finland	Still the cell-phone brand of choice among consumers, but overall sales of mobile handsets are weak.
7	DISNEY	29.26	32.59	-10	U.S.	Even monster hit *Monsters Inc.* couldn't compensate for a post-September 11 falloff at theme parks.
8	McDONALD'S	26.39	25.29	+4	U.S.	Who remembers Mad Cow disease? Global expansion continues as negative PR fades.
9	MARLBORO	24.15	22.05	+10	U.S.	The iconic brand uses line extensions and merchandising clout to overcome court challenges and skyrocketing price of cigs.

Data: Interbrand Corp., J.P. Morgan Chase & Co., *BusinessWeek*

Interbrand

The Global Brand Scoreboard

RANK		2002 BRAND VALUE $BILLIONS	2001 BRAND VALUE $BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
10	MERCEDES	21.01	21.73	-3	Germany	The leading luxury car brand, but its low-end models suffered from poor reviews.
11	FORD	20.40	30.09	-32	U.S.	At least Ford admitted to pursuing strategies that were "poorly conceived or poorly timed." But where's the fix?
12	TOYOTA	19.45	18.58	+5	Japan	Cruising along after capturing broad mid-market appeal in the U.S., including new SUVs and pickups.
13	CITIBANK	18.07	19.01	-5	U.S.	A slowing U.S. economy and a hit from the Enron fiasco hurt both results and image.
14	HEWLETT-PACKARD	16.78	17.98	-7	U.S.	More and more, its printers are commodities. Bickering during the Compaq merger also didn't boost HP's image.
15	AMERICAN EXPRESS	16.29	16.92	-4	U.S.	Wary U.S. consumers, penny-pinching corporations, and white-hot competition in credit cards made it a tough year for the prestigious brand.
16	CISCO	15.22	17.21	-6	U.S.	The popping of the Internet bubble, and the plunge in telecom spending, drew down brand value.
17	AT&T	16.06	22.83	-30	U.S.	Nobody loves telecom these days. But at least it's faring better than WorldCom.
18	HONDA	15.06	14.64	+3	Japan	Solid, dependable, and nurturing a growing reputation for earth-friendly "hybrid" technology.
19	GILLETTE	14.96	15.30	-2	U.S.	The King of Blades is still gaining share, as higher marketing boosts the premium Mach 3 and Venus razors.
20	BMW	14.43	13.86	+4	Germany	Bold new designs—from the space-age 7-series sedan to the athletic X5 SUV—helped BMW boost sales and profit margins.
21	SONY	13.90	15.01	-7	Japan	Still known for its design flair, Sony gadgets have come under attack by Samsung.
22	NESCAFE	12.94	13.99	-8	Switzerland	Cheap instant coffee is losing favor as people consume more and more out of the home.
23	ORACLE	11.51	12.22	-6	U.S.	Look out below. Oracle's value has eroded along with tech spending.
24	BUDWEISER	11.36	10.84	+5	U.S.	Nimble advertising for Bud and sparing Bud Light gives it commanding dominance in the U.S. and U.K.
25	MERRILL LYNCH	11.29	15.02	-25	U.S.	Investors have long memories, so Merrill's conflict-of-interest fiasco between bankers and analysts could linger.
26	MORGAN STANLEY	11.20	N/A	N/A	U.S.	Few on Wall Street emerged unscathed from the earnings controversy, but Morgan Stanley also had a poor performance underwriting IPOs.
27	COMPAQ	9.80	12.35	-21	U.S.	A big grab for market share by Dell, coupled with the histrionics over Compaq's merger with HP, hurt a tired brand.
28	PFIZER	9.78	8.95	+9	U.S.	Pfizer took the high ground on a hot-button issue with initiatives to sell reduced-price drugs.
29	J.P. MORGAN	9.69	N/A	N/A	U.S.	The market was bad enough, but J.P. Morgan also had big negative exposure in the Enron collapse.
30	KODAK	9.62	10.80	-11	U.S.	Kodak so far hasn't transferred the equity from its longtime dominance of photo into the digital market.
31	DELL	9.24	8.27	+12	U.S.	Proved that its built-to-order business model works in bad times as well as good.
32	NINTENDO	9.22	9.46	-3	Japan	On top of the price battle faced by its GameCube, the handheld Game Boy Advance was only a middling success.
33	MERCK	9.14	9.67	-6	U.S.	Vioxx faces patent expiration and new-drug pipeline is dry. Now, investors are ill over accounting questions.
34	SAMSUNG	8.31	5.37	+55	S. Korea	Revved up brand value with brilliant product design and arresting marketing.
35	NIKE	7.72	7.59	+2	U.S.	Strides in penetrating soccer market, and signs it may do the same in golf, augur well for this premium brand.
36	GAP	7.61	8.75	-15	U.S.	Its slide accelerated as consumers turned elsewhere for cutting-edge styles or lower prices.
37	HEINZ	7.35	7.06	+4	U.S.	A classic brand that exploits core markets with memorable extensions in everything from ketchup to tuna.
38	VOLKSWAGEN	7.21	7.44	-2	Germany	Global car sales are down, and the new Beetle was not the megahit VW might have hoped for.
39	GOLDMAN SACHS	7.19	7.87	-9	U.S.	CEO Henry Paulson spoke out about declining corporate credibility, but so far it hasn't rubbed off on the Goldman brand.

Data: Interbrand Corp., J.P. Morgan Chase & Co., *BusinessWeek*

Interbrand

The Global Brand Scoreboard

RANK		2002 BRAND VALUE $BILLIONS	2001 BRAND VALUE $BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
40	KELLOGG'S	7.19	7.01	+3	U.S.	Stabs at innovation, and a Disney alliance that put Buzz Lightyear on cereal boxes, renewed the brand's relevance.
41	LOUIS VUITTON	7.05	7.05	0	France	Still a fashion must-have, particularly in Asia, but sales have been anemic because of post-September 11 travel decline.
42	SAP	6.78	6.31	+7	Germany	SAP has delivered on theme, "The best-run businesses run SAP." The software maker benefited from a flight to established suppliers.
43	CANON	6.72	6.68	+2	Japan	A reasonable performance in a camera market that is exhibiting almost no growth. And it's gaining on Xerox in copiers.
44	IKEA	6.55	6.01	+9	Sweden	Resonant brand benefited from the weak economy, which made more customers willing to assemble their own tables.
45	PEPSI	6.39	6.21	+3	U.S.	Innovations keep coming, like lemon-flavored Pepsi Twist. But biggest challenge is a consumer shift to bottled water and juices.
46	HARLEY-DAVIDSON	6.27	5.53	+13	U.S.	Masterful job of selling Baby Boomers on a high-margin symbol of youthful rebellion.
47	MTV	6.09	6.60	-8	U.S.	Phenomenal success of *The Osbournes* shows MTV still has its spark. Unfortunately, the ad market is dead.
48	PIZZA HUT	6.05	6.00	+1	U.S.	Tough market, but the chain upgraded its restaurants and added new products like P'Zone, Twisted Crust, and Quad.
49	KFC	5.35	5.26	+2	U.S.	Introduced Popcorn Chicken, new Chicken Twister sandwich, and restaurants co-branded with corporate sibling Pizza Hut.
50	APPLE	5.32	5.46	-3	U.S.	A well-received new iMac couldn't overcome weak sales to consumers and design professionals.
51	XEROX	5.31	6.02	-12	U.S.	Trying to dodge its stodgy image, with digital and high-speed copiers. But a financial cloud lingers.
52	GUCCI	5.30	5.30	0	Italy	The ongoing allure of label designer Tom Ford could offset a slow start to 2002.
53	ACCENTURE	5.18	N/A	N/A	U.S.	In light of former parent Arthur Anderson's fate, Accenture's branding initiative looks like sheer brilliance.
54	L'OREAL	5.05	N/A	N/A	France	No slowdown here. The brand new gets more than half its sales outside Europe, thanks to smart acquisitions.
55	KLEENEX	5.04	5.09	-1	U.S.	Kleenex held most of its value because of innovations like Kleenex Travelers, for car door pockets.
56	SUN	4.98	5.15	-3	U.S.	Sun still leads in servers, but must deal with the implosion of the once-fertile dot-com sector.
57	WRIGLEY'S	4.75	4.53	+5	U.S.	Innovations kept the Wrigley's brand fresh. Can "functional" products like tooth-cleaning gum add further shine?
58	REUTERS	4.68	5.24	-12	Britain	Reuters lost considerable ground to Bloomberg as customers find its old-fashioned image and poor service.
59	COLGATE	4.60	4.57	+1	U.S.	A toothpaste/mouthwash combo and other novelties helped offset slipping share in other product areas.
60	PHILIPS	4.56	4.36	+5	Netherlands	Potent in Europe but weak in North America, this brand was dogged by tough consumer electronics markets and lackluster U.S. marketing.
61	NESTLE	4.43	N/A	N/A	Switzerland	The king of chocolate, cookies, and baby food is eating up U.S. ice cream with Dreyer's.
62	AVON	4.40	4.37	+1	U.S.	A makeover of its sales force and product lines boosted U.S. sales. But Avon has stumbled with its foray into retail sales.
63	AOL	4.33	4.50	-4	U.S.	Few signs of promised synergies following merger with Time Warner, and AOL's subscriber growth has slowed.
64	CHANEL	4.27	4.27	0	France	The perfume and fashion icon held its own in a tough global economy.
65	KRAFT	4.08	4.03	+1	U.S.	Still dominates lineup stretching from cheese to salad dressing, and isn't afraid to use its muscle to get the best store display.
66	DANONE	4.05	N/A	N/A	France	No. 1 in yogurt outside the U.S. and No. 2 in water, Danone is well-positioned to benefit from health worries.
67	YAHOO!	3.86	4.38	-12	U.S.	Forget the ad slump. Yahoo needs to prove it is relevant to consumers as they become more experienced at browsing.
68	ADIDAS	3.69	4.66	-21	Germany	Benefited from World Cup fever, but still has little appeal among trend-setting black and Hispanic youth.
69	ROLEX	3.69	3.70	0	Switzerland	There's nothing like a classy watch in bad times. But improved sales must wait.

Data: Interbrand Corp., J.P. Morgan Chase & Co., *BusinessWeek*

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RANK		2002 BRAND VALUE $BILLIONS	2001 BRAND VALUE $BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
70	TIME	3.68	3.72	–1	U.S.	Ads are way off but big news year has helped the magazine's reputation.
71	ERICSSON	3.59	7.07	–49	Sweden	Ericsson keeps falling further behind Nokia, Samsung, and Motorola.
72	TIFFANY	3.48	3.48	0	U.S.	With sales down in Japan, the world's most famous jewelry retailer has had to sell more lower-priced gold and silver.
73	LEVI'S	3.45	3.75	–8	U.S.	Until new designs hit store shelves, Levi's will continue to lose ground to youth-oriented labels.
74	MOTOROLA	3.42	3.77	–9	U.S.	Suffered from softness in phone handsets and semiconducters, but its greater diversification was a hedge.
75	DURACELL	3.41	4.14	–18	U.S.	Forced to spend heavily on promotions to hold onto market share, cutting profit margins.
76	BP	3.39	3.24	+4	Britain	While efforts to recast itself as environmentally conscious are controversial, the BP brand is motoring along.
77	HERTZ	3.36	3.62	–7	U.S.	Rental car business suffered as more Americans stayed home.
78	BACARDI	3.24	3.20	+4	Bermuda	Solid marketing and the cachet of its Cuban heritage have the rum brand on a growth track.
79	CATERPILLAR	3.22	N/A	N/A	U.S.	The No.1 heavy-equipment brand has steamrolled into merchandise and clothing, playing off its rough-and-tumble image.
80	AMAZON.COM	3.18	3.13	+1	U.S.	Amazon looks to extend its brand with more retail alliances like the ones it has with Target and Toys 'R' Us.
81	PANASONIC	3.14	3.50	–10	Japan	It has overhauled product lines and chopped costs, but Panasonic hasn't been able to pull off a Samsung-like makeover.
82	BOEING	2.97	4.06	–27	U.S.	The grounding of airlines last fall hit Boeing hard. Now it wants to be known as much for its space and defense businesses.
83	SHELL	2.81	2.84	–1	Brit/Neth	Ad spending got a boost in 2001, but the brand still has little exposure in the U.S.
84	SMIRNOFF	2.72	2.59	+5	Britain	Smirnoff got a shot of relevance thanks to the explosive growth of ready-to-drink Smirnoff Ice.
85	JOHNSON & JOHNSON	2.51	N/A	N/A	U.S.	The strong image of caring built up by its baby products stood the company in good stead.
86	PRADA	2.49	N/A	N/A	Italy	Fashion exposure was helped by two high-profile store openings but poor market conditions have stalled moves to go public yet again.
87	MOET & CHANDON	2.45	2.47	–1	France	The champagne brand should pick up fizz after clearing away unsold inventory from Millennium celebrations.
88	HEINEKEN	2.40	2.27	+6	Netherlands	Its reputation for quality—and high profits—remains intact despite efforts to branch out through acquisitions.
89	MOBIL	2.36	2.41	–2	U.S.	Tough year for any oil company, but Mobil's strong U.S. focus helped it fare better than most.
90	BURGER KING	2.16	2.43	–11	U.S.	Diageo's poor supervision of franchisees led to inconsistent quality. Will a new owner do better?
91	NIVEA	2.06	1.78	+16	Germany	Nivea capitalized on an image of wholesomeness to branch out beyond its core hand and body cream products.
92	WALL STREET JOURNAL	1.96	2.18	–10	U.S.	Its staid format got a radical re-do, including color reproduction. But the Journal still got smacked by the ad recession.
93	STARBUCKS	1.96	1.76	+12	U.S.	Starbucks hasn't stumbled yet. There are still gaps to fill in the U.S., as it gears up for expansion in Asia and Europe.
94	BARBIE	1.94	2.04	–5	U.S.	Another year of brand erosion as little girls opted for more fashionable toys.
95	POLO RALPH LAUREN	1.93	1.91	+1	U.S.	Modest growth and a U.S. focus helped this brand in a difficult year at the luxury end of the rag trade.
96	FEDEX	1.92	1.89	+2	U.S.	FedEx consolidated its leadership and secured more flights into Hong Kong to service booming Asian markets.
97	JOHNNIE WALKER	1.65	1.65	0	Britain	"Keep walking" ad message focusing on personal journeys seemed to strike a chord with younger drinkers.
98	JACK DANIEL'S	1.58	1.58	0	U.S.	Jack Daniel's "birthday parties" celebrated the brand's 150th year.
99	3M	1.58	N/A	N/A	U.S.	In a world of commodities, 3M churns out continual innovation to command premium prices.
100	ARMANI	1.51	1.49	+1	Italy	Twenty new stores slated to open from Milan to Hong Kong this year are helping overcome the downturn.

Data: Interbrand Corp., J.P. Morgan Chase & Co., *BusinessWeek*

Interbrand

Creating and managing brand value

Interbrand

Founded in 1974, Interbrand serves the world with 34 offices in 22 countries. Working in close partnership with our clients we combine the rigorous strategy and analysis of brand consulting with world-class design and creativity.

We offer a range of services including research, strategy, naming and verbal identity, corporate identity, package design, retail design, internal brand communications, corporate reporting, digital branding tools, integrated marketing services, and brand valuation.

We enable our clients to achieve greater success by helping them to create and manage brand value.

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Special Report

THE 100 TOP BRANDS

Here's how we calculate the power in a name

To rank the world's 100 most valuable global brands, we set three hurdles that all contenders have to meet to merit consideration. First, they must have brand values greater than $1 billion. They also have to be global in nature, meaning they must derive at least a third of their sales from outside their home countries and have significant distribution throughout the Americas, Europe, and Asia. Finally, they must have publicly available marketing and financial data. That excluded some big brands, such as Visa International, the BBC, and Mars.

How do you place a value on a brand? Some attempts rely on little more than opinion polls or ad spending. *BusinessWeek* selected Interbrand's method because it values brands the same way analysts value other assets: on the basis of how much they're likely to earn in the future. Those projected profits are then discounted to a present value based on how risky the projected earnings are—that is, the likelihood that they will, in fact, materialize.

To start the process, Interbrand first figures out what the brand's overall sales are. (The brand may be almost the entire company, as in the case of McDonald's Corp. For others, such as Marlboro, it may be just a portion.) Next, with the help of analysts from J.P. Morgan Chase & Co., Citigroup, and Morgan Stanley, Interbrand projects net earnings for the brand. It then deducts a charge for the cost of owning the tangible assets, on the theory that whatever income is generated beyond that cost is due to intangible factors. This is the economic value added by things like patents, customer lists, and, of course, the brand.

The next step is to winnow the earnings generated by the brand from the earnings generated by other intangibles. For example, are people buying Shell gasoline because of the brand name or because the gas station is conveniently located? Interbrand uses market research and interviews with industry executives to sift through those variables.

The final phase is to analyze the strength of the brand to figure out how risky those future brand earnings are. To calculate the brand's strength, Interbrand looks at seven factors, including the brand's market leadership, its stability, and its ability to cross geographic and cultural borders. The risk analysis produces a discount rate that is applied to the brand earnings to come up with a net present value. *BusinessWeek* and Interbrand believe this figure comes closest to representing the true economic value of that complex array of forces that make up a brand.

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The Global Brand Scoreboard

RANK		2003 BRAND VALUE $BILLIONS	2002 BRAND VALUE $BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
1	COCA-COLA	70.45	69.64	+1%	U.S.	New variations such as Vanilla Coke and a lemon-flavored diet drink helped the soft-drink icon remain bubbly.
2	MICROSOFT	65.17	64.09	+2	U.S.	The software giant shifted its advertising to build the brand, not just sell products, at a time when most rivals were suffering.
3	IBM	51.77	51.19	+1	U.S.	Big Blue gained recognition in new markets, partly thanks to an $800 million marketing campaign pushing e-business on demand.
4	GE	42.34	41.31	+2	U.S.	Getting double-digit growth is harder, but in tough times, the brand that Edison built held its own.
5	INTEL	31.11	30.86	+1	U.S.	With Intel Inside and Wi-Fi out to take over the world, the chipmaker's Centrino wireless notebook package delivered a powerful punch.
6	NOKIA	29.44	29.97	-2	Finland	Still the world's leading mobile-phone maker, Nokia faced stiff challenges from fast-riser Samsung and a growing crop of operator-branded phones.
7	DISNEY	28.04	29.26	-4	U.S.	Not the Happiest Place on Earth as Disney Stores were up for sale, ABC overhauled prime time, and travel woes sapped theme parks.
8	McDONALD'S	24.70	26.38	-6	U.S.	Mixed-up orders and dirty restaurants hurt the brand. Now business is recovering somewhat behind a renewed focus on service and salads.
9	MARLBORO	22.18	24.15	-8	U.S.	Under siege from smoking bans and lawsuits, the Marlboro Man was looking like a fugitive.
10	MERCEDES	21.37	21.01	+2	Germany	The luxury auto maker crafts the sumptuous sedans the rich and famous love to buy—and ordinary consumers dream of owning.

Interbrand

The Global Brand Scoreboard

RANK	2003 BRAND VALUE $BILLIONS	2002 BRAND VALUE $BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
11 TOYOTA	20.78	19.45	+7	Japan	Always solid, if stodgy, Toyota stole a march on Honda with aggressive moves into eco-friendly hybrid cars and low-priced models for younger buyers.
12 HEWLETT-PACKARD	19.86	16.78	+18	U.S.	Many feared the next Titanic when it acquired Compaq last year, but HP emerged relatively unscathed and more profitable than before.
13 CITIBANK	18.57	18.07	+3	U.S.	Latest phase of its successful "Live Richly" campaign included ads shot in 17 countries, characterizing a firm with global reach but a down-home flavor.
14 FORD	17.07	20.40	-16	U.S.	Sky-high rebates and 0% financing took some of the shine off Bill Ford's lineup; snazzy new SUVs from Japan and Europe are stealing more thunder.
15 AMERICAN EXPRESS	16.55	16.29	+3	U.S.	American Express punched up ad spending to target retail customers. Now they use cards to pay for groceries, gas, even rent.
16 GILLETTE	15.98	14.96	+7	U.S.	In an era of falling consumer prices, the King of Blades still managed to get shavers to pay premium prices.
17 CISCO	15.79	16.22	-3	U.S.	It played the downturn beautifully to generate record profits. But the brand was still mired in the networking depression that followed the Net boom.
18 HONDA	15.63	15.06	+4	Japan	Sagging sales in its home Japanese market have yet to dent its renown for reliable, dependable products.
19 BMW	15.01	14.43	+4	Germany	The Ultimate Driving Machines are fast, fun, stylish—and now come in more flavors. A rapidly expanding lineup primed global growth.
20 SONY	13.15	13.90	-5	Japan	Still the platinum brand in gizmos, but rivals Panasonic and Samsung were catching up with snazzy cell phones, digital cameras, and flat-panel TVs.
21 NESCAFÉ	12.34	12.84	-4	Switzerland	The world's favorite instant coffee advertised heavily to attract younger coffee drinkers.
22 BUDWEISER	11.89	11.35	+5	U.S.	The King of Beers continued to swipe market share, despite rivals' wacky ad campaigns built around twins and female mud wrestling.
23 PEPSI	11.78	11.14*	+6	U.S.	With innovations like Twist, Wild Cherry, and Pepsi Blue, this fizzy rival was determined to catch up with Coke.
24 ORACLE	11.26	11.51	-2	U.S.	The software giant had always been a Silicon Valley maverick. Now add "corporate raider" to the long list of adjectives.
25 SAMSUNG	10.85	8.31*	+31	S. Korea	Riding the electronics industry's shift to digital products, it wowed consumers with a blizzard of feature-packed gadgets and leading-edge chips.
26 MORGAN STANLEY	10.69	11.21	-5	U.S.	Once a seemingly invincible white-shoe firm, it struggled to rise above Wall Street's scandals involving analysts' investment-banking conflicts.
27 MERRILL LYNCH	10.62	11.23	-5	U.S.	Merrill sought to escape the tarnish of scandals, while its retail business tried to move beyond its rep as a thundering herd of brokers.
28 PFIZER	10.46	9.77	+7	U.S.	A master acquirer and marketer, it leveraged a stable of top-selling drugs that includes Viagra and Lipitor, the world's sales leader.
29 DELL	10.09	9.24	+12	U.S.	Annoying pitchman Steven is gone, but that didn't slow the pace of PC sales or assaults on new markets like printers and PDAs.
30 MERCK	9.41	9.14	+3	U.S.	Patent expirations dampened earnings growth, but Merck continued to cultivate its image as a research leader.
31 JPMORGAN	9.12	9.69	-6	U.S.	Viewed by many as the banker's bank, it suffered from corporate scandals and a slump in mergers and IPOs. Heavy exposure to derivatives is also a dark cloud.
32 NINTENDO	8.19	9.22	-11	Japan	This former master of the video-game universe saw its empire shrink in the wake of an onslaught from Sony's PlayStation and Microsoft's Xbox.
33 NIKE	8.07	7.72	+5	U.S.	An extreme marketing effort during soccer's World Cup and Tiger Woods showed there's more to sporting goods than basketball shoes.
34 KODAK	7.83	9.67	-19	U.S.	Steadily falling film sales and a sputtering digital strategy could mean that Kodak's moment has passed.
35 SAP	7.71	6.78	+14	Germany	Behind sharper marketing and a strong selling tie-in, the German software giant survived the tech downturn looking more solid than ever.
36 GAP	7.69	7.41	+4	U.S.	Bright colors and a fresh new ad campaign helped lift it out of a sales swoon.
37 HSBC	7.57	N/A	N/A	Britain	The 138-year-old lender's frugal management built the world's second-largest retail bank through acquisitions in the U.S., Europe, and developing markets.
38 KELLOGG'S	7.44	7.19	+3	U.S.	Boosted market share by sprinkling fruits into its flakes and popping up marketing with pitchmen like Disney's Winnie the Pooh.
39 CANON	7.19	6.72	+7	Japan	Already the world's top copier and laser-printer company, it emerged as a major force in digital cameras, too.

*Pepsi's 2002 brand-value data was revised upward due to new data.

Interbrand

The Global Brand Scoreboard

RANK	2003 BRAND VALUE $BILLIONS	2002 BRAND VALUE $BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
40 HEINZ	7.10	7.35	-3	U.S.	The world's favorite ketchup now comes in upside-down bottles and colors like "stellar blue." But competition took a bite.
41 GOLDMAN SACHS	7.04	7.19	-2	U.S.	Raising capital for Corporate America made it arguably the most prestigious investment bank. But a drought in mergers and equity issuances took a toll.
42 VOLKSWAGEN	6.94	7.21	-4	Germany	The stalwart maker of quality mass-market cars suffered from high costs, an aging lineup, fierce French competition, and a slew of overlapping brands.
43 IKEA	6.92	6.55	+6	Sweden	The chain made flat-packed furniture both affordable and fashionable, bringing its concept of democratic design to 31 countries.
44 HARLEY-DAVIDSON	6.78	6.27	+8	U.S.	Aging customers still think Harley when they think motorcycle. They're also rich enough to afford such innovations as the sleek $18,000 V-Rod.
45 LOUIS VUITTON	6.71	7.05	-5	France	A downturn in tourism slowed this awesome profit machine fueled by monogrammed bags and accessories.
46 MTV	6.28	6.08	+3	U.S.	Still a big favorite among teens, and not just in the U.S. MTV International is one of the fastest-growing businesses at parent Viacom Inc.
47 L'OREAL	5.60	5.08	+10	France	Who's boycotting France? Not the millions of women who made L'Oreal the No.1 cosmetics seller in the U.S.
48 XEROX	5.58	5.41	+5	U.S.	With new financing and a range of hot color products, the troubled copier company's image was on the mend.
49 KFC	5.58	5.35	+4	U.S.	The chicken chain goosed global business by promoting local fare—tempura crispy strips in Japan and potato-and-onion croquettes in Holland.
50 APPLE	5.55	5.32	+4	U.S.	The "i's" have it—iPod, iTunes, and iBooks lifted the perennial underdog, while the innovative Music Store download service left rivals in the dust.
51 PIZZA HUT	5.31	6.05	-12	U.S.	The dough wasn't rising. Asian restaurant sales were hurt by SARS, while at home the chain was slow to sling popular new products such as wings.
52 ACCENTURE	5.30	5.18	+2	U.S.	Hit hard by the slump in telecom, the consulting icon took its own advice and nimbly built its outsourcing specialty.
53 GUCCI	5.10	5.30	-4	Italy	Chief designer Tom Ford was still a hit on the catwalks of Paris and New York, but Gucci's profits were shredded by economic stagnation and SARS.
54 KLEENEX	5.06	5.04	0	U.S.	From aromatherapy tissues to 3-D holiday boxes, this leader still managed to pull out some fresh ideas.
55 WRIGLEY'S	5.06	4.75	+7	U.S.	Hip ad campaigns to relaunch core brands Juicy Fruit and Doublemint and introduction of new sugar-free gum reinvigorated the chew-chew train.
56 COLGATE	4.69	4.60	+2	U.S.	As it neared the end of its second century, the brand continued to win over more smiles.
57 AVON	4.63	4.40	+5	U.S.	The Avon Ladies were on a tear, leveraging healthy R&D and marketing budgets through online sales and an expanding door-to-door network.
58 SUN MICROSYSTEMS	4.47	4.77	-6	U.S.	A perception that this computer maker wasn't keeping up with technology trends made it appear to be less than cutting-edge.
59 PHILIPS	4.46	4.56	-2	Netherlands	In Europe, its name equals home electronics; but Philips struggled with awareness in the U.S. and perennially tough competition from Asia.
60 NESTLE	4.46	4.43	+1	Switzerland	From chocolate to baby formula, the Swiss food giant keeps the world's pantry stocked.
61 CHANEL	4.32	4.27	+1	France	A symbol of Parisian sophistication for mom's generation, but Chanel had a harder time luring younger customers.
62 DANONE	4.24	4.05	+5	France	The maker of Dannon yogurt, already a powerhouse in Europe, was betting big on emerging markets.
63 KRAFT	4.17	4.08	+2	U.S.	The master of line extensions scored with new frozen-pizza flavors and other products but lost share on its cheese business to private labels.
64 AOL	3.96	4.33	-8	U.S.	Often dubbed the "Internet on training wheels," the king of the dial-up service risked losing subscribers as they graduated to broadband connections.
65 YAHOO!	3.90	3.86	+1	U.S.	This Internet icon soared again but will have to watch out for the Net's next killer brand, Google.
66 TIME	3.78	3.68	+3	U.S.	After winning a National Magazine Award for coverage of September 11, the weekly ramped up again with excellent war reporting and photography.
67 ADIDAS	3.68	3.69	0	Germany	The maker of athletic shoes and clothing suffered from a plunge in U.S. sales as youths balked at paying more than $100 for a pair of sneakers.
68 ROLEX	3.67	3.69	0	Switzerland	Tough times failed to put a dent in the popularity of the signature Swiss watches.
69 BP	3.58	3.39	+6	Britain	John Browne was once again front and center with his controversial "Beyond Petroleum" campaign. A megadeal in Russia also helped.

Interbrand

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RANK	2003 BRAND VALUE $BILLIONS	2002 BRAND VALUE $BILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
70 TIFFANY	3.54	3.46	+2	U.S.	Even hard times couldn't dim the luster of Tiffany's extravagant baubles in their signature blue box.
71 DURACELL	3.44	3.41	+1	U.S.	Terrorist fears bolstered battery sales, but the category remained hampered by cutthroat competition.
72 BACARDI	3.43	3.34	+3	Bermuda	New flavors, coupled with the popularity of the mojito—a Cuban rum mint julep—kept the venerable rum brand on the hip parade.
73 HERMES	3.42	N/A	N/A	France	Known for classic scarves and leather goods, Hermes recently hired celebrity designer Jean-Paul Gaultier to update its image.
74 AMAZON.COM	3.40	3.18	+7	U.S.	Amazon's relentless focus on making online buying easier—not to mention steady progress toward profits—improved its standing among consumers.
75 CATERPILLAR	3.36	3.22	+5	U.S.	The economy gave Cat a rough ride, but the heavy-equipment and engine maker bulldozed ahead, strengthening earnings through cost-cutting.
76 REUTERS	3.30	4.61	-28	Britain	The news and data service still had not found the formula to outgun financial-screen rival Bloomberg in a weak market.
77 LEVI'S	3.30	3.45	-5	U.S.	This struggling American icon has tried—sometimes too hard—to be cool, but it's also going mass-market with a line for Wal-Mart.
78 HERTZ	3.29	3.36	-2	U.S.	Saddled with a difficult travel market, Hertz Rent-A-Car had a tough time standing out as the premium choice. This company will have to try harder.
79 PANASONIC	3.26	3.14	+4	Japan	Once a dowdy line of home electronics, Matsushita's Panasonic brand stood for style, quality, and function-packed products.
80 ERICSSON	3.15	3.59	-12	Sweden	The cellular equipment giant survived the telecom bust, but faced a tough future. Two years of sturm and drang have taken a toll.
81 MOTOROLA	3.10	3.42	-9	U.S.	This electronics brand was cut down to size by intense competition and weak demand, while product delays put customers on hold.
82 HENNESSY	3.00	N/A	N/A	France	Hip-hoppers and other celebs made this top-of-the-line cognac relevant for a new generation of drinkers.
83 SHELL	2.98	2.81	+6	Brit./Nether.	CEO Phil Watts drove a money machine fueled by $30 oil prices and hard-nosed cost-cutting.
84 BOEING	2.86	2.92	-2	U.S.	Management worked hard to prove the brand stood for more than commercial airliners, only to fall behind Airbus in that crucial market.
85 SMIRNOFF	2.81	2.72	+3	Britain	Shook up the booze business with its introduction of flavored vodkas and a range of ready-to-drink Smirnoff spin-off products.
86 JOHNSON & JOHNSON	2.71	2.51	+8	U.S.	The halo effect from J&J's trusted consumer brands helped the company's sales reps as they marketed a broad lineup of drugs and devices.
87 PRADA	2.54	2.49	+2	Italy	The Italian icon's minimalist clothing, nylon handbags, and ultra-trendy shoes took fashion capitals by storm, but heavy debt slowed its strut.
88 MOET & CHANDON	2.52	2.45	+3	France	With sales up 14% last year, it kept the bubbly flowing at parent company LVMH Moet Hennessy Louis Vuitton.
89 NISSAN	2.50	N/A	N/A	Japan	On a roll under new management from Renault, but the brand's reputation had yet to catch up to Nissan's crowd-pleasing new models.
90 HEINEKEN	2.43	2.40	+1	Netherlands	Young people were drinking less, but if they spend more for quality, this Dutch-made premium beer could prosper.
91 MOBIL	2.41	2.36	+2	U.S.	Success of its reformulated Mobil 1 motor oil, racing sponsorships, and its status as NASCAR's official lubricant reinvigorated this ExxonMobil franchise.
92 NIVEA	2.22	2.06	+8	Germany	Hamburg-based parent company Beiersdorf kept the skin cream growing by spreading it into categories such as sun protection and deodorants.
93 STARBUCKS	2.14	1.96	+9	U.S.	This fast-growing brand continued to corner the U.S. market, although it hit some speed bumps overseas.
94 BURGER KING	2.12	2.16	-2	U.S.	As talks dragged on to sell the Home of the Whopper, it suffered from a stale menu, management exodus, and financial strain among some franchisees.
95 POLO RALPH LAUREN	2.05	1.93	+6	U.S.	Another record year for the preppy purveyor of American style that launched in 1967 as a line of flamboyant ties.
96 FEDEX	2.03	1.92	+6	U.S.	FedEx was riding high behind a successful expansion of its ground home-delivery service, stealing market share from leader United Parcel Service Inc.
97 BARBIE	1.87	1.94	-3	U.S.	The babe in pink reinvented herself as a DVD movie star, even taking a spin around Swan Lake. But she's slipping against fresh new competitors like Bratz.
98 WALL ST. JOURNAL	1.76	1.96	-10	U.S.	The downturn in advertising, especially for business publications, pummeled the Dow Jones flagship.
99 JOHNNIE WALKER	1.72	1.65	+4	Britain	Four bottles of this nearly 200-year-old blended scotch whiskey are consumed every minute, making it owner Diageo's most spirited brand.
100 JACK DANIEL'S	1.61	1.58	+2	U.S.	A global push and marketing campaign to appeal to women and younger drinkers means Jack Black ain't just for Good Old Boys anymore.

The brand valuations drew upon publicly available information, which has not been independently investigated by Interbrand. Valuations do not represent a guarantee of future performance of the brands or companies.
Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley, *BusinessWeek*

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We enable our clients to achieve greater success by helping them to create and manage brand value.

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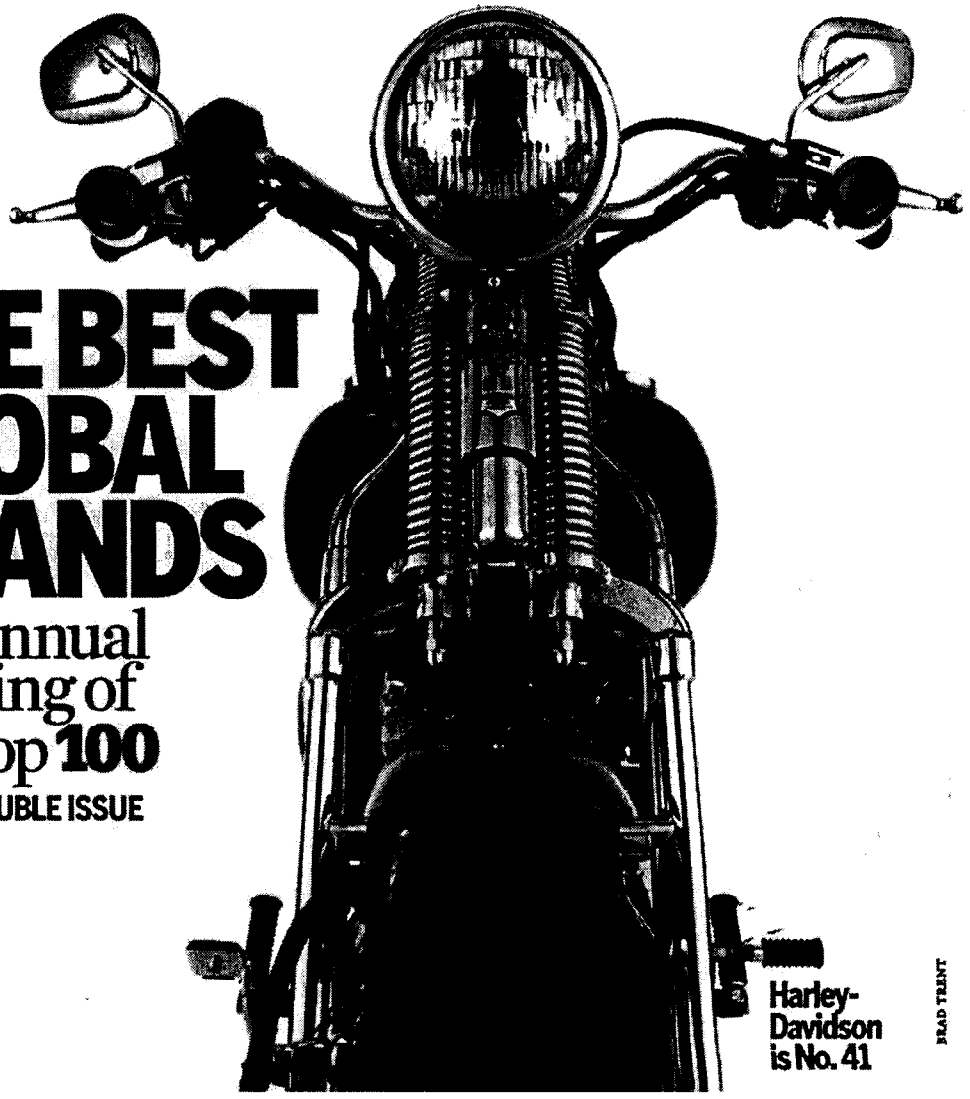


THE BEST GLOBAL BRANDS

Our Annual Ranking of The Top 100

SPECIAL DOUBLE ISSUE

Harley-Davidson is No. 41

BRAD TRENT

As seen in Business Week, August 9-16 2004

SPECIAL REPORT

CULT BRANDS

The *BusinessWeek*/Interbrand annual ranking of the world's most valuable brands shows the power of passionate consumers

CASEY NEISTAT, 23, IS A SELF-PROFESSED APPLE JUNKIE. Along with his brother, Van, he is building his filmmaking career with the company's iMac computers and editing software. He usually leaves his Manhattan apartment with a sleek iPod plugged into his ear. So last year, when the Neistat brothers discovered the digital music player's batteries were irreplaceable and lasted just 18 months, they made a film called *iPod's Dirty Secret* and launched a protest Web site. Apple Computer Inc. addressed the problem. Now Neistat insists that the protest was an act of love: "We made that film because we believe in the brand so much."

Such loyalty flies in the face of conventional marketing wisdom. A customer spurned, the logic goes, is a customer lost. But these days the relationship between brands and their customers has become much more complex. For one thing, consumers simply know more than they used to. The Internet opens up a wealth of information, allowing for instant price and quality comparisons. But consumers demand more from the brands they love than simple reliability; passionate consumers want their brands to become a form of self-expression. Increasingly, consumers are customizing products and services to achieve that—whether it's tailoring colors on a pair of sneakers from Nike Inc. or adding items to their personal to-watch list on eBay. Instead of arms-length customers, they're beginning to act like and feel like owners or members of a community. They no longer passively consume. Through the Internet, they can talk back and talk to one another. They can ignite a groundswell of positive buzz or spawn a revolt. As Peter Weedfald, senior vice-president for strategic marketing and new media at Samsung Electronics North America, puts it: "Consumers are empowered in a way that's almost frightening."

The World's 10 Most Valuable Brands

RANK	BRAND	2004 BRAND VALUE (BILLIONS)
1	COCA-COLA	$67.39
2	MICROSOFT	61.37
3	IBM	53.79
4	GE	44.11
5	INTEL	33.50
6	DISNEY	27.11
7	McDONALD'S	25.00
8	NOKIA	24.04
9	TOYOTA	22.67
10	MARLBORO	22.13

Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley

ICONIC From Beijing to Boston, iPod users have formed a bond

QUENTIN SHIH/ASIA IMAGES

This seismic shift in clout from companies to their customers is creating opportunities, especially for younger brands that grew up with the Internet and have become adept at building user communities. Meanwhile, some traditional brands, such as Coca-Cola and Microsoft, are struggling to retain their mammoth leads in a market where consumers increasingly resist what they see as bland ubiquity and a surfeit of power.

There have always been cult brands, mostly smaller labels unknown to the masses. But these days, building cults or at least strong communities, is a widespread strategy. No wonder companies that are able to instill a sense of ownership in near-fanatical customers showed the biggest gains in our fourth annual ranking of the 100 most valuable global brands. The loyal, if sometimes nagging, band of true believers behind No. 43 Apple—combined with tremendous success of the iPod—helped the dollar value of the brand jump 23.7%, to $6.9 billion, over the past year. That was the biggest increase in this year's ranking, which is compiled in partnership with leading brand consultancy Interbrand Corp. A dollar value is calculated for each brand using a mix of publicly available data, projected profits, and variables like market leadership.

Apple was hardly alone in enlisting recruits. EBay makes its debut at No. 60. Fellow hot property Samsung Electronics, No. 21, jumped 15.7% in value to $12.6 billion—a move that Seoul-based global marketing chief Eric B. Kim attributes to "building communities around our brand." Along with honing a high-end image with its feature-packed cell phones and flat-panel TVs, it nurtures loyalty with events for users. Yahoo! and Amazon.com, Nos. 61 and 66, respectively, also made significant gains. But success isn't limited to the young. Cult icon Harley-Davidson, No. 41, climbed despite having been founded more than a century ago. While the value of those brands is a fraction of the top-ranked $67.4 billion Coca-Cola brand or No. 2 Microsoft, with $61.4 billion, those behemoths have lost brand value over the past year. And they, too, have started to recognize the need to nurture stronger ties with consumers. Witness moves by Microsoft to hold mini trade shows in airport lounges for consumers and the soda giant's creation of hip "Coke Red Lounges" for teens in suburban malls.

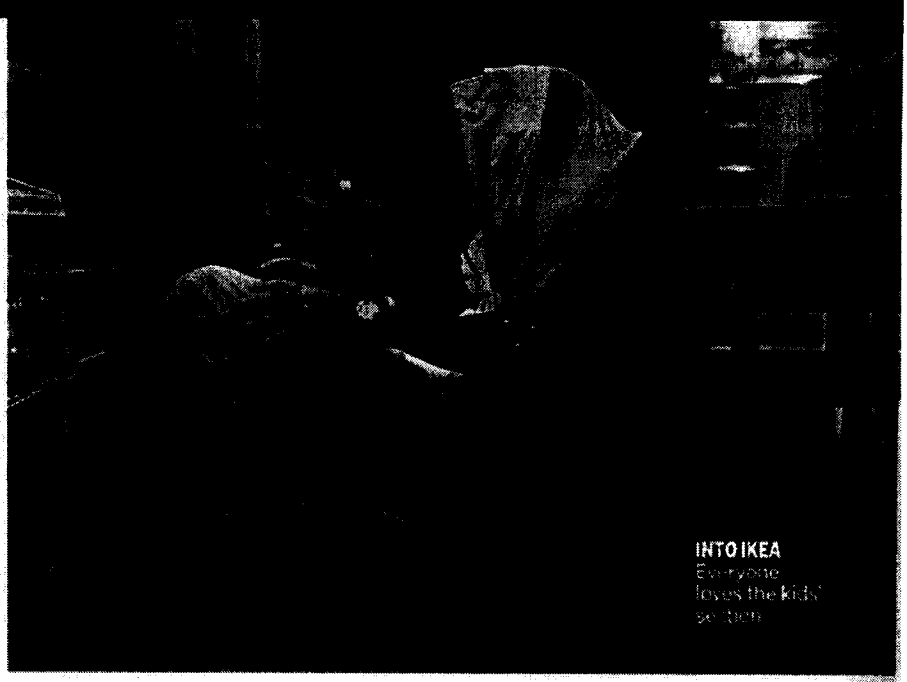
Group Think

THE GOAL: TO FOSTER A SENSE of shared experience and of belonging. Starbucks Chairman Howard D. Schultz balks at the notion that his brand, which ranks 98th in our survey and jumped 12% in value this year, is about selling various iterations of coffee. Says Schultz: "The product is the experience." His shops may sell latte, but what people really crave is the hip, relaxed ambiance, the music, even the baristas who remember the regulars' favorite concoctions. Sounds crazy? Not to student Amy Berkman. Approach her at her favorite New York City outlet and she lets forth a stream of opinions on everything from

SPECIAL REPORT

ideal chair configurations in the store to the type of mustard they should use on their ham-and-cheese sandwiches. "Something more tangy and grainy would work better," she says, sipping on her daily chai latte. She cares because this is where she hangs out with her friends. Berkman doesn't like coffee; she likes the experience of being at Starbucks.

The brands that have managed to build cultlike followings have done so by being, well, cultlike, at least in some aspects. They are self-consciously different from rivals. They're bound by a set of clearly defined and rigorously enforced values. And they fulfill a range of needs for their members—er, customers. The fastest-growing ones often project an aura, an attractive group identity. Conjure up an image of an Armani customer or a Porsche driver and it will evoke a set of personality characteristics as much as it evokes a product preference. They also beget proselytizers—customers who will chat up the brands to their buddies, set up Web sites, attend events, and proudly identify themselves as adherents, according to strategist Douglas Atkin of ad agency Merkley & Partners, who recently wrote *The Culting of Brands*. Nobody has to pay them. They are owners as well as customers.



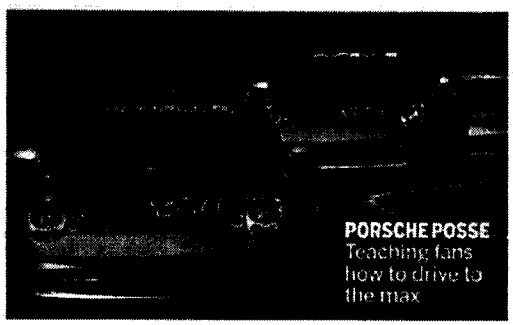
INTO IKEA
Everyone loves the kids' section

Cultlike brands are self-consciously different from their competitors

Empowered Consumers

THE CLASSIC EXAMPLE of a cult brand is Harley-Davidson. The 101-year-old brand gained 4% in value this year to $7.1 billion. Sure, there are new models like the sleek V-Rod line and fresh features aimed at wooing women, but the real buzz comes from the 886,000 members of the company-sponsored Harley Owners Group. They're the ones who organize rides, training courses, social events, and charity fund-raisers. They pore through motorcycle magazines and wear the Harley-branded gear to feel more like rugged individualists and outlaws when they hit the road on weekends. A quarter of a million of them descended on Milwaukee last Labor Day to celebrate the brand's centennial. No wonder more than half of new Harley sales are to current customers who are trading up. The brand is self-reinforcing.

It doesn't take a cool category like motorcycles to yield a cult brand. Some are found in far more mundane sectors—like furniture retailing. In Shanghai, Wang Jian Shuo runs a Web blog that, among other things, delves into his likes and dislikes with No. 40 Ikea, the Swedish furniture chain that offers modestly priced, ready-to-assemble furniture with cute names. He writes about everything from the 12¢ ice cream cones in the store cafeterias to how, as a newly graduated student in 1999, he spent his first month's salary on a "Billy Bookcase." Notes Wang: "Ikea seems to know my life better than any other furniture brand." Among those posting responses to his musings are a Malaysian fan who started his own Ikea forum and another who makes jokes about Swedish meatballs.



PORSCHE POSSE
Teaching fans how to drive to the max

Such exchanges underline a key aspect of brand communities in the modern age: They evolve in ways that the head office often can't control. Newly empowered consumers can appropriate and manipulate the brand in whatever way they want. The Neistat brothers' anti-iPod Web site has generated 1.4 million hits from around the world. And it's not just brand fans who can make a difference—or inflict damage. Witness the success of *Super Size Me*, in which documentary filmmaker Morgan Spurlock chronicled his decline in health while eating meals at McDonald's for 30 days in a row. Although it denies any link, McDonald's Corp. recently did away with the Super Size meal option. They called it a menu simplification.

The key for brand builders is to give empowered consumers a great product and the tools to use it however they want. Jeffrey P. Bezos, chief executive of Amazon.com, whose brand value grew 22%, believes there is a distinct community built around his brand, even though it's now used by more than 30 million people

worldwide. For him, community is defined as "neighbors helping neighbors make purchase decisions." That means allowing negative customer reviews, even if it sabotages a possible sale. It meant halting spending on conventional advertising last year to funnel money into cutting prices and improving service in the belief that the community itself would spread the word. What Bezos does control is the range and quality of his site's offerings. "The thing that we did early on is that we made it very easy for people to find very obscure products," notes Bezos. "If you're not doing something that people will remark on, then it's going to be hard to generate word of mouth."

Some companies are using mass customization to bind their customers ever more tightly to their brands. The efforts extend beyond the individualized Web pages that characterize Web sites like Amazon.com and eBay. It means allowing customers to set up fan sites on the Web or personalize items. Some companies, like No. 18 Honda Motor and Nike, offer tools to help customers put their imprint on a product—such as choosing unique color combinations and messages for their sneakers. But relinquishing control has proved to be hard for some marketers. No. 6 Walt Disney and No. 82 AOL have famously chased down fans for unauthorized use of copyrighted material. As brand "futurist" Andrew Zolli argues: "When you get to the point where you're suing your customers over their use of your brand, it's time to change your business model."

Even brands that have largely grown through acquisitions and smart pricing understand the importance of building a distinct image and fan base. As Peter Stringham, group general manager of HSBC Holdings PLC bank in London notes: "Nobody needs a new anything anymore." Instead, what has allowed No. 33 HSBC to jump 15%, to $8.7 billion, this year is clear differentiation as "the world's local bank" with a flavor that varies by location. On Jan. 28, for example, it kicked off the rebranding of newly acquired Mexican bank GF Bital with a free live concert in Mexico City for 10,000 people by pop singer Luis Miguel. In New York, it grabbed attention by offering free taxi rides in a cab emblazoned with the bank's red and white logo to any passenger with an HSBC bank card.

In contrast, some old-line brands seem to be coasting on sheer size rather than an ability to forge a unique relationship with customers. Even brands that have enjoyed decades of success and have instant recognition with consumers can lose some sparkle. Over the past year heavyweights like Microsoft, Coca-Cola, and Walt Disney saw their brand values erode. Others, like Finnish mobile-phone giant Nokia Corp., No. 8, are struggling to regain momentum. "Nokia used to differentiate but I don't think people would know what to associate with it now," argues Jan Lindemann, Interbrand's global director of brand valuation. Nokia's head of global branding, Tapio Hedman, admits that "some young people may find Nokia too everyday, too middle of the road." But he disputes the notion that his brand could plummet 18% over 12 months, as it did this year in our ranking, arguing that brand equity takes years to win and lose. "Once you have it, it's a bit like insurance," says Hedman. "It's not likely to be eroded very fast unless you make one mistake after another."

That may be a dangerous point of view to take. Just ask Royal Philips Electronics' new chief marketing officer, Andrea Ragnetti, who blames the lack of buzz around the Dutch electronics giant, which dropped 2% in the rankings, to No. 65, on years of underinvesting in the brand. "It's seen as a dull, solid, reliable brand but nothing really special, nothing sparkling," says Ragnetti, who is currently trying to narrow the brand's target demographics and recast its message.

That doesn't mean big brands can't connect with customers. Even massive players like No. 4 General Electric Co., which saw its brand value gain 4%, to $44.1 billion, can adopt a fun, flirty style. The most popular section on the company's Web site is the "GE Pen," which allows users to doodle in a variety of colors and styles before e-mailing their handiwork to a friend. Since launching last year, it has received more than 43 million impressions. When the site went down for a few days to upgrade, the company was deluged with e-mails that asked where it had gone. Does it help the company sell more ovens or advertising on NBC? Probably not. But it certainly gives users a warmer feeling about GE. These days, anything that makes fans out of fickle consumers can be priceless in building a brand. ■

–By Diane Brady in New York, with Robert D. Hof in San Mateo, Calif., Andy Reinhardt in Paris, Moon Ihlwan in Seoul, Stanley Holmes in Seattle, Kerry Capell in London, and bureau reports

The Big Winners

It's the year of the iPod (Apple), meanwhile, Net brands (Amazon, Yahoo) extend their reach, a Korean electronics tigermeat (Samsung) just gets stronger, and a London bank (HSBC) stakes its claim as the world's local banker.

RANK	BRAND	2004 BRAND VALUE (BILLIONS)	2003 BRAND VALUE (BILLIONS)	PERCENT CHANGE
43	APPLE	$6.87	$5.55	+24%
66	AMAZON.COM	4.16	3.40	+22%
61	YAHOO!	4.55	3.89	+17%
21	SAMSUNG	12.55	10.85	+16%
33	HSBC	8.67	7.56	+15%

Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley

The Big Losers

Technology and competition march onward, battering once-sterling brands in consumer photography (Kodak), video games (Nintendo), cell phones (Nokia), online service (AOL), and autos (Ford). Consumers ask: What's so special?

RANK	BRAND	2004 BRAND VALUE (BILLIONS)	2003 BRAND VALUE (BILLIONS)	PERCENT CHANGE
53	KODAK	$5.23	$7.83	-33%
46	NINTENDO	6.48	8.19	-21%
8	NOKIA	24.04	29.44	-18
82	AOL	3.25	3.96	-18
19	FORD	14.47	17.07	-15

Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley

BusinessWeek Online For an interview with Bezos and a Video View with Interbrand's Lindemann, go to businessweek.com/magazine/extra.htm

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THE GLOBAL BRAND SCOREBOARD

The 100 Top Brands

Here's how we calculate the power in a name

LOTS OF INGREDIENTS go into ranking the world's most valuable brands. To even qualify for the list, each brand must have a value greater than $1 billion, derive about a third of its earnings outside its home country, and have publicly available marketing and financial data. One or more of those criteria eliminate such heavyweights as Visa, Wal-Mart, Mars, and CNN. We don't rank parent companies, which explains why Procter & Gamble doesn't show up. And airlines are not ranked because it's too hard to separate their brand's impact on sales from factors such as routes and schedules.

***BUSINESSWEEK* CHOSE** Interbrand Corp.'s methodology because it evaluates brands much the way analysts value other assets: on the basis of how much they're likely to earn in the future. Then the projected profits are discounted to a present value, based on the likelihood that those earnings will actually materialize.

THE FIRST STEP IS figuring out what percentage of a company's revenues can be credited to a brand. (The brand may be almost the entire company, as with McDonald's Corp., or just a portion, as it is for Marlboro.) Based on reports from analysts at J.P. Morgan Chase, Citigroup, and Morgan Stanley, Interbrand projects five years of earnings and sales for the brand. It then deducts operating costs, taxes, and a charge for the capital employed to arrive at the intangible earnings. The company strips out intangibles such as patents and customer convenience to assess what portion of those earnings is due to the brand.

FINALLY, THE BRAND'S strength is assessed to determine the risk profile of those earnings forecasts. Considerations include market leadership, stability, and global reach—its ability to cross both geographical and cultural borders. That generates a discount rate, which is applied to brand earnings to get a net present value. *BusinessWeek* and Interbrand believe this figure comes closest to representing a brand's true economic worth.

1	1	COCA-COLA	67,394	70,453	-4%	U.S.	Little innovation beyond its flagship brand and poor management has caught up with Coke as consumers' thirst for cola has diminished.
2	2	MICROSOFT	61,372	65,174	-6%	U.S.	Its logo pops up on 400 million computer screens worldwide. But virus plagues and rival Linux took some luster off Gates & Co.
3	3	IBM	53,791	51,767	4%	U.S.	A leader in defining e-business, with services making up more than half of Big Blue's sales.
4	4	GE	44,111	42,340	4%	U.S.	With acquisitions in areas from bioscience to bomb detection, it's easier to buy GE's new theme of "imagination at work."
5	5	INTEL	33,499	31,112	8%	U.S.	No longer just inside PCs, Intel is using its muscle to set the agenda for everything from wireless standards to the digital home.
6	7	DISNEY	27,113	28,036	-3%	U.S.	Long the gold seal in family entertainment, but newcomers like Nickelodeon and Pixar are siphoning off some of its brand equity.
7	8	McDONALD'S	25,001	24,699	1%	U.S.	Big Mac has pulled out of a two-year slump but still has to battle its reputation for supersizing the world's kids.
8	6	NOKIA	24,041	29,440	-18%	Finland	Tough times for the mobile-phone giant as its market share has slipped and younger buyers turn to rivals such as Samsung.
9	11	TOYOTA	22,673	20,784	9%	Japan	With rock-solid quality and the edge in hybrid cars, the Japanese auto maker is on track to overtake Ford in worldwide sales.
10	9	MARLBORO	22,128	22,183	0%	U.S.	The No. 1 name in cigarettes has cut prices and upped marketing to beat back the challenges of higher taxes and fewer smokers.
11	10	MERCEDES	21,331	21,371	0%	Germany	With wobbly profits and quality problems, the luxury car brand is struggling to retain premium status.
12	12	HEWLETT-PACKARD	20,978	19,860	6%	U.S.	Covering everything from digital cameras to service, the IT giant wants to dominate the middle ground between Dell and IBM.
13	13	CITIBANK	19,971	18,571	8%	U.S.	New CEO Charles Prince has spurred on global expansion and boosted the consumer credit division.
14	15	AMERICAN EXPRESS	17,683	16,833	5%	U.S.	A recent federal court ruling that allows banks to issue Amex cards should give the brand another boost.
15	16	GILLETTE	16,723	15,978	5%	U.S.	Despite the tougher competition from Schick, the King of Blades still reigns with new products like the battery-powered M3Power.

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16	17	CISCO	15,948	15,789	1%	U.S.	The networking behemoth used slick TV ads and key acquisitions like Linksys to extend its reach.
17	19	BMW	15,886	15,106	5%	Germany	The Bavarian auto maker is powering higher sales with a raft of new models from the sleek 6 Series sports coupe to the X3 baby SUV.
18	18	HONDA	14,874	15,625	-5%	Japan	Overtaken by Nissan at home and falling further behind rival Toyota in the U.S. market.
19	14	FORD	14,475	17,066	-15%	U.S.	Ford is trying to make quality "Job One" again after an embarrassing run of glitches, but leery consumers haven't yet regained trust.
20	20	SONY	12,759	13,153	-3%	Japan	It was late to the LCD TV boom, and the PS2 video game console is slipping. Worse, rival Samsung is in Sony's face.
21	25	SAMSUNG	12,553	10,846	16%	S. Korea	No longer known just for undercutting the prices of big Japanese brands, the Korean consumer-electronics dynamo is suddenly cool.
22	23	PEPSI	12,066	11,777	2%	U.S.	Targeted marketing and ads abroad with stars like soccer icon David Beckham have enabled the No. 2 cola maker to steal some of Coke's fizz.
23	21	NESCAFE	11,892	12,336	-4%	Switzerland	It's still the world's favorite instant coffee but even products like Ice Java struggle against hip upscale brands like Starbucks.
24	22	BUDWEISER	11,846	11,894	0%	U.S.	The growing global low-carb trend has left Bud flat. Plus, it's under attack from bulked-up and feisty rival Miller.
25	29	DELL	11,600	10,367	11%	U.S.	With its reputation for low prices and fast delivery, Dell continues to leave competitors in the dust.
26	27	MERRILL LYNCH	11,499	10,521	9%	U.S.	A painful overhaul is behind it. Now the retail brokerage is back in hiring and expansion mode.
27	26	MORGAN STANLEY	11,498	10,691	8%	U.S.	The investment bank's reputation is rising along with mergers and stock issuances, its specialty.
28	24	ORACLE	10,935	11,263	-3%	U.S.	The database-software business is up, but CEO Lawrence Ellison's fight to buy rival PeopleSoft makes Oracle look like a corporate raider.
29	28	PFIZER	10,635	10,455	2%	U.S.	The pharma industry's powerhouse, with 11 products each expected to top $1 billion in annual sales this year.
30	31	J.P. MORGAN	9,782	9,120	7%	U.S.	The marquee investment bank had a solid year, and now can extend its reach with its $58 billion acquisition of Bank One Corp.
31	33	NIKE	9,260	8,167	13%	U.S.	With allegations of sweatshop operations behind it and a growing soccer line, Nike rules the athletic market.
32	30	MERCK	8,811	9,407	-6%	U.S.	The drugmaker has tried to bolster its lineup with more partnerships, but patent expirations and research flops still pinch.
33	37	HSBC	8,671	7,565	15%	Britain	After snapping up Household International in 2003, the "world's local bank" is making inroads in the U.S. market.
34	35	SAP	8,323	7,714	8%	Germany	Its establishment image and sharp marketing have helped SAP thrive in a volatile software market.
35	39	CANON	8,055	7,192	12%	Japan	Hot digital cameras and printers boosted sales. Next up: an expanded line of sleek color copiers.
36	38	KELLOGG'S	8,029	7,438	8%	U.S.	Jumping on the low-carb bandwagon has kept Kellogg's cereal business crackling.
37	41	GOLDMAN SACHS	7,954	7,039	13%	U.S.	With record profits, it remains one of the most prestigious institutions on Wall Street.
38	36	GAP	7,873	7,688	2%	U.S.	The retail chain has revived its brand with fresh fashions and celebrity endorsements.
39	NEW	SIEMENS	7,470	New	New	Germany	The Munich conglomerate behind everything from phones to power plants is seeing a payoff from years of global image building.
40	43	IKEA	7,182	6,918	4%	Sweden	The Swedish home furnishing chain is now pushing cheap chic furnishings as far as Russia and Asia.
41	44	HARLEY-DAVIDSON	7,057	6,775	4%	U.S.	The motorcycle icon has lowered seat heights to woo women and trimmed prices, but production limits put a brake on growth.
42	40	HEINZ	7,026	7,097	-1%	U.S.	Despite wacky colors and cute ads, it's proving hard to boost value in foods like ketchup and beans.
43	50	APPLE	6,871	5,554	24%	U.S.	The iPod digital music player gave one of tech's coolest brands the consumer electronics hit of the year.
44	45	LOUIS VUITTON	6,602	6,708	-2%	France	It has a hot Murakami line and Jennifer Lopez in its ads, but is Vuitton getting over-exposed?

45	NEW	UBS	6,526	New	New	Switzerland	With a consolidated brand and its catchy "You and Us" campaign, the world's biggest asset manager is booming.
46	32	NINTENDO	6,479	8,190	-21%	Japan	It has an unrelenting focus on kids, but has Nintendo abandoned the gamers who have grown up?
47	46	MTV	6,456	6,278	3%	U.S.	The music network pumps cash for parent Viacom, and has an international reach that's the envy of U.S. media rivals.
48	42	VOLKSWAGEN	6,410	6,938	-8%	Germany	Aging models and missteps make consumers write off the people's car as pricey and a bit dull.
49	47	L'OREAL	5,902	5,600	5%	France	Expansion in Asia and smart targeting of ethnic markets have the personal-care group looking prettier every day.
50	52	ACCENTURE	5,772	5,301	9%	U.S.	The tech services giant has its mojo back, with a contract to secure U.S. borders, and more consulting work.
51	48	XEROX	5,696	5,578	2%	U.S.	The copier maker is starting to convince customers that it can be a digital document one-stop-shop.
52	55	WRIGLEY'S	5,424	6,057	7%	U.S.	Sales are up as the gum maker looks to push popular brands into more mouths worldwide.
53	34	KODAK	5,231	7,826	-33%	U.S.	Removed from the Dow and only dominant in a film business that shrinks every year.
54	49	KFC	5,118	5,576	-8%	U.S.	Despite efforts to make the brand seem healthier, the world still focuses on the middle name in Kentucky Fried Chicken.
55	51	PIZZA HUT	5,050	5,312	-5%	U.S.	The low-carb craze crimped pizza sales, and the chain's tardiness in diversifying its menu didn't help.
56	56	COLGATE	4,929	4,686	5%	U.S.	With a growing lead over Crest in markets from Russia to China, the toothpaste company is smiling.
57	54	KLEENEX	4,881	5,057	-3%	U.S.	The big name in tissues can't blow off fierce price-cutting by rivals or higher costs in pulp and paper.
58	67	AVON	4,848	4,631	5%	U.S.	The cosmetic company's door-to-door model is performing beautifully in foreign markets like Brazil and China.
59	53	GUCCI	4,715	5,100	-8%	Italy	Sales were slipping even before influential creative director Tom Ford said an April *arrivederci*.
60	NEW	EBAY	4,700	New	New	U.S.	With everything from vintage jewelry to new DVDs, it's where the world shops for bargains.
61	65	YAHOO!	4,545	3,895	17%	U.S.	The Internet portal has found riches in sponsored search but former partner Google is muscling into its turf.
62	60	NESTLE	4,523	4,460	2%	Switzerland	Chocolate is the key ingredient, but the Swiss giant is moving into nutritional supplements and fitness bars.
63	62	DANONE	4,488	4,237	6%	France	Strong sales of dairy products and bottled water keeps the French food company in good health.
64	61	CHANEL	4,416	4,315	2%	France	Successful couture and Nicole Kidman ads have kept this fashion house on people's lips, hips, and wrists.
65	59	PHILIPS	4,378	4,464	-2%	Netherlands	The Dutch electronics giant has scored some hits, but it's still struggling to fend off Asian rivals
66	74	AMAZON.COM	4,156	3,403	22%	U.S.	It dumped TV ads to cut prices, jump-starting sales and building its position as the Wal-Mart of the Web.
67	63	KRAFT	4,112	4,171	-1%	U.S.	There's new low-carbs packaging but critics accuse the food giant of producing products that make kids fat.
68	75	CATERPILLAR	3,801	3,363	13%	U.S.	The equipment manufacturer is plowing ahead as the industrial sector strengthens.
69	67	ADIDAS	3,740	3,679	2%	Germany	The German maker of athletic wear dominates in soccer, but is still trying to find its footing in the U.S.
70	68	ROLEX	3,720	3,673	1%	Switzerland	For high-end consumers, the leading luxury watch maker's appeal is timeless.
71	76	REUTERS	3,691	3,300	12%	Britain	American CEO Tom Glocer's cost cuts and new products are helping the info giant turn the corner.
72	69	BP	3,662	3,582	2%	Britain	Now second only to ExxonMobil in size, BP is raking in cash thanks to high oil and gas prices.
73	66	TIME	3,651	3,784	-4%	U.S.	Softer advertising pulls down the brand even as its book division pumps out bestsellers.

THE GLOBAL BRAND SCOREBOARD

74	NEW	**PORSCHE**	3,646	New	New	Germany	The high-end Cayenne SUV produced record profits and turbocharged the brand.
75	70	**TIFFANY**	3,638	3,540	3%	U.S.	The lure of its diamonds, pearls, and silver is strong but Japan is looking tarnished and U.S. store sales are down.
76	81	**MOTOROLA**	3,483	3,103	12%	U.S.	Motorola is relevant again, with its clam-shell phones gaining in Europe and in new markets like China.
77	79	**PANASONIC**	3,480	3,257	7%	Japan	It boasts some of the best technology in must-have items like recordable DVDs and plasma-screen TVs.
78	78	**HERTZ**	3,411	3,288	4%	U.S.	Healthy international markets help the king of car rental roar again, even amid rising gas prices.
79	73	**HERMES**	3,376	3,416	-1%	France	The maker of silk scarves and Kelly handbags hopes designer Jean Paul Gaultier can freshen its image.
80	71	**DURACELL**	3,362	3,438	-2%	U.S.	Relentless discounting and promotions continue to commoditize the world of batteries.
81	NEW	**AUDI**	3,289	New	New	Germany	The new A8 and strong global expansion have made Audi a profit engine. It's even thriving in China.
82	64	**AOL**	3,248	3,961	-18%	U.S.	Federal accounting inquiries and a messy merger have tarnished the AOL name as it fights to keep customers.
83	82	**HENNESSY**	3,084	2,996	3%	France	Parent LVMH is boasting the popularity of cognac with the world's young urbanites, especially among the hip-hop set.
84	83	**SHELL**	2,985	2,983	0%	Brit./Neth.	The energy giant is struggling to recuperate from a reserves downgrade and a boardroom bloodbath.
85	77	**LEVI'S**	2,979	3,298	-10%	U.S.	Even its iconic 501 jeans are discounted these days and brands like Diesel are finding legs with young shoppers.
86	85	**SMIRNOFF**	2,975	2,806	6%	Britain	The best-selling vodka builds on its popularity with Smirnoff Twist and "malternatives" such as Smirnoff Ice.
87	86	**JOHNSON & JOHNSON**	2,952	2,706	9%	U.S.	Holding firm in a tough market, it had a hit with a drug-coated stent. But competition looms there, too.
88	NEW	**ING**	2,864	New	New	Netherlands	ING Direct and a forceful U.S. marketing push put the Dutch financial services firm on the map.
89	88	**MOET & CHANDON**	2,861	2,624	13%	France	Strong growth in Japan and the U.S. keeps the world's leading champagne brand bubbling along.
90	89	**NISSAN**	2,833	2,495	14%	Japan	Having pushed aside Honda in Japan, it's gaining North American share with Titan trucks and the Altima sedan.
91	NEW	**CARTIER**	2,749	New	New	France	The bejeweled panther has shed cheaper items and held tight to its luxury status through tough times.
92	NEW	**ESTEE LAUDER**	2,634	New	New	U.S.	This fixture of the high-end cosmetics counter is now expanding in middle markets like retailer Kohl's.
93	NEW	**ARMANI**	2,613	New	New	Italy	Known for classy clothes, it's expanding into everything from home furnishings to hotels and restaurants.
94	84	**BOEING**	2,576	2,864	-10%	U.S.	It has lost commercial market share to rival Airbus, as execs try to erase the taint of a Pentagon hiring scandal.
95	87	**PRADA**	2,568	2,535	1%	Italy	Still the preserve of pretty stars but rapid expansion and debt could dilute some of Prada's exclusive cachet.
96	91	**MOBIL**	2,492	2,407	4%	U.S.	It got a boost from reformulated motor oil and its status as NASCAR's official lubricant.
97	92	**NIVEA**	2,409	2,221	8%	Germany	The mid-market skin-care line is now a leader in plumping up men's faces, too.
98	93	**STARBUCKS**	2,400	2,136	12%	U.S.	Global expansion, new products, and yet more variations on the humble cup of java boost the coffee hut's appeal.
99	90	**HEINEKEN**	2,390	2,431	-2%	Netherlands	Sales may be flat at Europe's largest brewery, but the 141-year-old Amsterdam brand remains the world's favorite premium brew.
100	95	**POLO RL**	2,147	2,048	5%	U.S.	It has consolidated control of its clothing brand, pushing same-store sales up 11% in the last quarter of 2003.

The brand valuations draw upon publicly available information, which has not been independently investigated by Interbrand. Valuations do not represent a guarantee of future performance of the brands or companies. Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley, BusinessWeek

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Founded in 1974, Interbrand serves the world with 34 offices in 22 countries. Working in close partnership with our clients we combine the rigorous strategy and analysis of brand consulting with world-class design and creativity.

We offer a range of services including research, strategy, naming and verbal identity, corporate identity, package design, retail design, internal brand communications, corporate reporting, digital branding tools, integrated marketing services, and brand valuation.

We enable our clients to achieve greater success by helping them to create and manage brand value.

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ANNUAL REPORT

GLOBAL BRANDS

BusinessWeek/Interbrand rank the companies that best built their images—and made them stick

BY ROBERT BERNER AND DAVID KILEY

ADVERTISERS WHO WANT TO REACH THE Bublitz family of Montgomery, Ohio, have to leap a lot of hurdles. Telemarketing? Forget it—the family of five has Caller ID. The Internet? No way—they long ago installed spam and pop-up ad blockers on their three home computers. Radio? Rudy Bublitz, 47, has noncommercial satellite radio in his car and in the home. Television? Not likely—the family records its favorite shows on TiVo and skips most ads. "The real beauty is that if we choose to shut advertising out, we can," Rudy says. "We call the shots with advertisers today."

The Bublitzes and other ad-zapping consumers like them pose an enormous challenge these days to marketers trying to build new brands and nurture old ones. To get a reading on which brands are succeeding—and which aren't—take a look at the fifth annual *BusinessWeek*/Interbrand ranking of the 100 most valuable global brands. The names that gained the most in value focus ruthlessly on every detail of their brands, honing simple, cohesive identities that are consistent in every product, in every market around the world, and in every contact with consumers. (In the ranking, which is compiled in partnership with brand consultancy Interbrand Corp., a dollar value is calculated for each brand using publicly available data, projected profits, and variables such as market leadership.)

The best brand builders are also intensely creative in getting their message out. Many of the biggest and most established brands, from Coke to Marlboro, achieved their global heft decades ago by helping to pioneer the 30-second TV commercial. But it's a different world now. The monolithic TV networks have splintered into scores of cable channels, and mass-market publications have given way to special-interest magazines aimed at smaller groups. Given that fragmentation, it's not surprising that there's a new generation of brands, including Amazon.com, eBay, and Starbucks, that have amassed huge global value with little traditional advertising. They've discovered new ways to captivate and intrigue consumers. Now the more mature brands are going to school on the achievements of the upstarts and adapting the new techniques for themselves.

So how do you build a brand in a world in which consumers are increasingly in control of the media? The brands that rose to the top of our ranking all had widely varied marketing arsenals and were able to unleash different campaigns for different consumers in varied media almost simultaneously. They wove messages over multiple media channels and blurred the lines between ads and entertain-

THE BIG WINNERS

High tech and finance got it right in this year's ranking. America's electronic flea market, eBay, has ended up on top, a few rungs above Apple. Samsung repeats from last year, as does HSBC. Joining the megabank is financial powerhouse UBS.

RANK 2005	BRAND	2005 BRAND VALUE (BILLIONS)	2004 BRAND VALUE (BILLIONS)	PERCENT CHANGE
55	EBAY	$5.70	$4.70	+21%
29	HSBC	10.43	8.67	+20
20	SAMSUNG	14.96	12.55	+19
41	APPLE	7.99	6.87	+16
44	UBS	7.57	6.53	+16

Data: Interbrand Corp., JPMorgan Chase & Co., Citigroup, Morgan Stanley

ment. As a result, these brands can be found in a host of new venues: the Web, live events, cell phones, and handheld computers. An intrepid few have even infiltrated digital videorecorders, devices that are feared throughout the marketing world as the ultimate tool for enabling consumers to block unwanted TV ads.

Some marketers have worked to make their brand messages so enjoyable that consumers might see them as entertainment instead of an intrusion. When leading brands are seen on TV they're apt to have their own co-starring roles—as No. 9 Toyota Motor Corp. did in reality show *The Contender*—rather than just lending support during the commercial breaks. All are trying to create a stronger bond with the consumer. Take No. 41 Apple Computer Corp., which last fall launched a special iPod MP3 player in partnership with band U2. Not only did the "U2 iPod" say "U2" on the front and have band signatures etched into the back, but the band starred in a TV ad and buyers got $50 off a download of 400 U2 songs. No. 8 McDonald's Corp.'s sponsorship of a tour by R&B group Destiny's Child means that fans who want access to exclusive video and news content about the band have to click first on the company's Web site. "It's hard here to tell where the brand message ends and where the entertainment and content begins," says Ryan Barker, director of brand strategy at consultancy The Knowledge Group.

SAMSUNG
The electronics giant has focused its marketing on movie and music tie-ins and the Internet

It's no accident that most of the companies with the biggest increases in brand value in the 2005 ranking operate as single brands everywhere in the world. Global marketing used to mean crafting a new name and identity for each local market. America's No. 1 laundry detergent, Tide, is called Ariel in Europe, for example. The goal today for many, though, is to create consistency and impact, both of which are a lot easier to manage with a single worldwide identity. It's also a more efficient approach, since the same strategy can be used everywhere. An eBay shopper in Paris, France, sees the same screen as someone logging in from Paris, Texas. Only the language is different. Global banks HSBC, No. 29, which posted a 20% increase in brand value, and No. 44 UBS, up 16%, use the same advertising pitches around the world. "Given how hard the consumer is to reach today, a strong and unified brand message is increasingly becoming the only way to break through," says Jan Lindemann, Interbrand's managing director, who directed the Top 100 Brands ranking.

Possibly no brand has done a better job of mining the po-

Interbrand

ANNUAL REPORT

tential of these new brand-building principles than Korean consumer electronics manufacturer Samsung Electronics Co. Less than a decade ago, it was a maker of lower-end consumer electronics under a handful of brand names including Wiseview, Tantus, and Yepp, none of which meant much to consumers. Figuring that its only shot at moving up the value chain was to build a stronger identity, the company ditched its other brands to put all its resources behind the Samsung name. Then it focused on building a more upscale image through better quality, design, and innovation.

HSBC
No matter what country or language, the bank comes at you with the same cohesive message

Beginning in 2001, the newly defined Samsung came out with a line of top-notch mobile phones and digital TVs, products that showed off the company's technical prowess. By vaulting the quality of its offerings above the competition in those areas, Samsung figured it could boost the overall perception of the brand. Besides, consumers form especially strong bonds with cell phones and TVs. Most people carry their mobile phones with them everywhere, while their TV is the center of the family room. "We wanted the brand in users' presence 24/7," says Peter Weedfald, head of Samsung's North American marketing and consumer electronics unit.

Now that strategy is paying off. Over the past five years, No. 20 Samsung has posted the biggest gain in value of any Global 100 brand, with a 186% surge. Even sweeter, last year Samsung surpassed No. 28 Sony, a far more entrenched rival that once owned the electronics category, in overall brand value. Now, in a nod to Samsung, Korean electronics concern LG Electronics Inc. has followed its rival's playbook. Cracking this year's global list for the first time at No. 97, LG has also sought to elevate its product under a single brand led by phones and TVs.

Some of the older brands in our ranking are clearly struggling to remake their marketing and product mix for a more complex world. This year's biggest losers in brand value include Sony (down 16%), Volkswagen (down 12%), and Levi's (down 11%). VW acknowledges its brand value slippage. "Volkswagen is well aware of the current deficiencies," says VW brand chief Wolfgang Bernhard. Sony, which disputes that it is losing brand value, has suffered from an innovation drought. The electronics giant pioneered the Walkman, but left Apple to revolutionize portable MP3 players, as well as digital downloading and organizing of music. Meanwhile, Sony's moves into films and music put it into areas where its brand adds no value. Worse, those acquisitions made Sony a competitor with other content providers. That, notes Samsung's Weedfald, gives his company an advantage in linking to the hottest music and movies. Samsung, for example, is lead sponsor of this summer's much-hyped movie, *The Fantastic Four*, in which a variety of Samsung gadgets play a part. VW faces different problems. It has attempted to move upmarket with the luxury Touareg sport-utility vehicle and Phaeton sedan models; but that has left car buyers, who associate VW with zippy, affordable cars, confused. Similarly, Levi's introduction of its less pricey Levi's Signature line in discount stores means it now competes on price at the low end, while trying to fend off rivals like Diesel at the upper end with its core "red tab" brand.

Of course, defining the essence of a brand is only part of the battle. Communicating it to the consumer is the other. On this front, there has clearly been a divide between newer brands that use traditional advertising as just one tool in an overall marketing plan and older ones that grew up with it. Sony, for example, far outspends Samsung on traditional advertising in the U.S. on electronics products. (Samsung advertises on TV only during the last six months of the year, its peak sales period.) Many young brands that scored big gains in value, like Google, Yahoo!, and eBay, depend on

JENNIFER S. ALTMAN

THE BIG LOSERS

Steep declines weren't confined to just one industry. Sony took the deepest dive, but it was joined by an investment bank (Morgan Stanley), a carmaker (Volkswagen), a jeans maker (Levi's), and a computer company (Hewlett-Packard).

RANK 2005	BRAND	2005 BRAND VALUE (BILLIONS)	2004 BRAND VALUE (BILLIONS)	PERCENT CHANGE
28	SONY	$10.75	$12.76	-16%
33	MORGAN STANLEY	9.78	11.50	-15
56	VOLKSWAGEN	5.62	6.41	-12
96	LEVI'S	2.66	2.98	-11
13	HEWLETT-PACKARD	18.87	20.98	-10

Data: Interbrand Corp., JPMorgan Chase & Co., Citigroup, Morgan Stanley

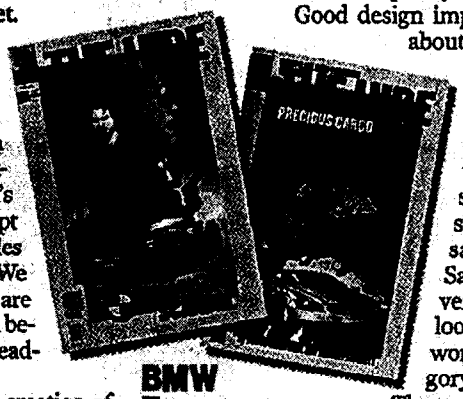
Interbrand

their own interactive Web sites to shout about their brands

Now some older brands, like Coke, ranked No. 1 in overal brand value, and McDonald's are decreasing traditional a spending. In the past four years, McDonald's has cut TV adver tising from 80% of its ad budget to 50%. Most of the shift ha gone to online advertising. What's evolving, then, is a model ir which most brand builders use a variety of marketing channels. HSBC has branded taxis to carry customers for free. And although eBay spends most of its marketing budget on Internet advertising, it also relies on TV to some extent to boost simple brand awareness. "With fragmentation and ad evasion, you can't count on one medium," says Tom Cotton, president o Conductor, a branding strategy firm.

Marketers who do turn to TV are trying to make brand messages as engrossing as the programming. Last year Toyota, whose brand value rose 10%, paid $16 million to have its vehicles be part of the storyline on NBC reality show *The Contender*, about small-time boxers competing for a nationally televised bout. The grand prize: a million dollars and a Toyota truck. Rival Nissan, up 13%, has been parking its Titan pickups on Wisteria Lane in hit ABC show *Desperate Housewives*. The trucks will also ride into the new *Dukes of Hazzard* movie this month.

Nor are TV and movies the only target. No. 1 Coke, McDonald's, No. 88 Smirnoff, No. 16 BMW, No. 23 Pepsi, and No. 61 KFC are among brands striking deals to plant their brands in video games and even song lyrics. Deborah Wahl-Meyer, who headed Toyota marketing until recently moving to the company's Lexus division, says both divisions attempt to seed magazine and newspaper articles with vehicle references and pictures. "We have to be more a part of what people are watching and reading instead of being in between what people are watching and reading," Meyer says.

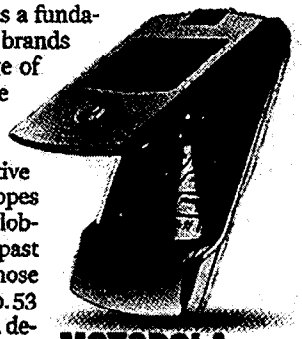


BMW
The company produced films in which its luxury cars played starring roles

In an echo of Procter & Gamble Co.'s creation of the soap opera on radio and then TV, some brand builders are taking control of the programming themselves and creating content that tries to draw in ad-allergic consumers. BMW, whose brand value rose 8% over the past year, turned out a series of popular short films on the Internet starting in 2001. The seven-to-ten minute films starred BMW cars and were produced by A-list Hollywood directors like John Woo. The German auto maker has moved onto comic books based on the films aimed at Bimmer–aspiring teens and adults alike. "It's imperative to create media destinations that don't look like advertising," says James McDowell, who headed marketing for the BMW brand before recently taking over as chief of the parent company's MINI USA business. BMW has also embraced the enemy, TiVo, the television-top gadget that consumers use to skip ads altogether. Since last year, BMW has produced short films and long-form ads accessible through TiVo's main menu page. BMW fans are alerted to the films in the on-demand video menu when a BMW ad runs.

Such old-line brands as No. 14 American Express Co. are heading down the entertainment path, too. Tipping its hat to BMW, AmEx ran long-form Internet ads/films starring Jerry Seinfeld last year that succeeded in drawing consumers to its Web site and Webcasted concerts. AmEx Chief Marketing Officer John Hayes says flatly: "Brands are not being built on [traditional] advertising."

Still, none of these marketing ploys are sure bets in a world where old-school advertising means less. That's why more marketers are investing in design as a fundamental way to distinguish their brands and to stay on the leading edge of technology. "Design isn't just the promise of a brand, like TV advertising—it's the reality of it," says Marc Gobe, chief executive of design consultancy Desgrippes Gobe. Samsung has tripled its global design staff to 400 over the past five years. No. 73 Motorola, whose brand value rose 11%, and No. 53 Philips Electronics have boosted design spending. The move sparked the launch of Motorola's hot-selling Razr phone, the thinnest flip phone ever made. No. 85 Nissan gained 13% last year on a wave of bold designs, like its curvy Murano SUV and Altima sedan, as the Japanese company differentiates itself from Toyota and Honda through design rather than quality.



MOTOROLA
An eye to branding, plus design, begat the ultrathin Razr cell phone

Good design implies more than just good looks. It's also about ease of use. Apple demonstrated this with its iPod. Users can pick songs or download music from the iTunes music bank with the swipe of a finger. That's blunted sales of Sony's Walkman MP3 player, which has been criticized as too cumbersome. Design can also mean sound. Samsung insists that all its products make the same reassuring tone when turned on. The Samsung tone is even being used in some advertising. "We want to have the same sound, look, and feel throughout our products so it all works toward one Samsung brand," says Gregory Lee, Samsung's global marketing chief.

The era of building brands namely through mass media advertising is over. The predominant thinking of the world's most successful brand builders these days is not so much the old game of reach (how many consumers see my ad) and frequency (how often do they see it), but rather finding ways to get consumers to invite brands into their lives. The mass media won't disappear as a tool. But smart companies see the game today as making bold statements in design and wooing consumers by integrating messages so closely into entertainment that the two are all but indistinguishable. ■

–With Mara Der Hovanesian in New York, Ian Rowley in Tokyo, Michael Arndt in Chicago, and bureau reports

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Winners and Losers Slide Show: Take a look at ads and analysis of five brands that soared and five that sunk.

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(TOP) NIGEL COX

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The 100 Top Brands

Here's how we calculate the power in a name

INTERBRAND CORP. takes lots of ingredients into account when ranking the world's most valuable brands. To even qualify for the list, each brand must have a value greater than $1 billion, derive about a third of its earnings outside its home country, and have publicly available marketing and financial data. One or more of those criteria eliminate such heavyweights as Visa, Wal-Mart, Mars, and CNN. We don't rank parent companies, which explains why Procter & Gamble doesn't show up. And airlines are not ranked because it's too hard to separate their brands' impact on sales from factors such as routes and schedules.

***BUSINESSWEEK* CHOSE** Interbrand's methodology because it evaluates brands much the way analysts value other assets: on the basis of how much they're likely to earn in the future. The projected profits are then discounted to a present value, taking into account the likelihood that those earnings will actually materialize.

THE FIRST STEP IS figuring out what percentage of a company's revenues can be credited to a brand. (The brand may be almost the entire company, as with McDonald's Corp., or just a portion, as it is for Marlboro.) Based on reports from analysts at J.P. Morgan Chase, Citigroup, and Morgan Stanley, Interbrand projects five years of earnings and sales for the brand. It then deducts operating costs, taxes, and a charge for the capital employed to arrive at the intangible earnings. The company strips out intangibles such as patents and management strength to assess what portion of those earnings is due to the brand.

FINALLY, THE BRAND'S strength is assessed to determine the risk profile of those earnings forecasts. Considerations include market leadership, stability, and global reach—or the ability to cross both geographical and cultural borders. That generates a discount rate, which is applied to brand earnings to get a net present value. *BusinessWeek* and Interbrand believe this figure comes closest to representing a brand's true economic worth.

RANK 2005	2004		2005 BRAND VALUE $MILLIONS	2004 BRAND VALUE $MILLIONS	PERCENT % CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
1	1	COCA-COLA	67,525	67,394	0%	U.S.	While Coke struggles to add new diet and energy drinks, it is still searching for a zippier global advertising message.
2	2	MICROSOFT	59,941	61,372	-2%	U.S.	It continues to reach into hot consumer markets such as TV set-top box software, video games, and mobile phones.
3	3	IBM	53,376	53,791	-1%	U.S.	The sale of the notebook business to Lenovo continues the transformation from a computer manufacturer to a services and consulting company.
4	4	GE	46,996	44,111	7%	U.S.	Hawking itself as a center of cutting-edge innovation and source of earth-friendly products has enhanced GE's brand image.
5	5	INTEL	35,588	33,499	6%	U.S.	Thanks to its Pentium chips and Centrino wireless notebooks, Intel is a household name worldwide.
6	8	NOKIA	26,452	24,041	10%	Finland	Looking to take on Apple's iPod as cell phones and MP3 players converge into one device.
7	6	DISNEY	26,441	27,113	-2%	U.S.	Incoming CEO Bob Iger must develop new offerings. The trend is toward edgier fare even for kids.
8	7	McDONALD'S	26,014	25,001	4%	U.S.	Who's not lovin' it? Big Mac has reconnected with moms and teens thanks to new offerings like salads and a hipper image.
9	9	TOYOTA	24,837	22,673	10%	Japan	Poised to pass GM globally, Toyota's image gets a big boost from its growing stable of hybrids.
10	10	MARLBORO	21,189	22,128	-4%	U.S.	Still tops in the U.S., the world's biggest cigarette brand has struggled in Europe of late, losing share in France and in Germany.
11	11	MERCEDES-BENZ	20,006	21,331	-6%	Germany	Quality problems and strategic errors have punctured Mercedes' sales for two years. Will the new S-Class sedan help buff its image?
12	13	CITI	19,967	19,971	0%	U.S.	A history in global markets that often helps it trump local players has helped to shield Citi from recent scandals.
13	12	HEWLETT-PACKARD	18,866	20,978	-10%	U.S.	Printer king HP faces increased competition, and new CEO Mark Hurd must figure a way to improve performance against computer rivals Dell and IBM.
14	14	AMERICAN EXPRESS	18,559	17,683	5%	U.S.	AmEx star is rising since it won the right to let banks issue its cards. AmEx invested heavily in marketing spending worldwide.
15	15	GILLETTE	17,534	16,723	5%	U.S.	The King of Blades is on a roll, with its battery-powered M3Power razor helping produce record results. Now it's getting ready to merge with P&G.

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RANK 2005	2004		2005 BRAND VALUE $MILLIONS	2004 BRAND VALUE $MILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
16	17	BMW	17,126	15,886	8%	Germany	BMW is in the fast-lane, proving that the right mix of engineering and marketing can propel an auto makers' performance even in tough markets.
17	16	CISCO	16,592	15,948	4%	U.S.	Partnered with Microsoft to tackle Internet security and limit damage from viruses. A new focus on small business is paying off.
18	44	LOUIS VUITTON	16,077	NA	NA	France	With Uma Thurman promoting its hot new Monogram Cerises collection, the world's richest luxury brand seems unstoppable.
19	18	HONDA	15,788	14,874	6%	Japan	Consumers can't get enough of Honda. Now it plans to boost annual North American production to 1.4 million vehicles by 2007.
20	21	SAMSUNG	14,956	12,553	19%	S. Korea	One big brand marketed everywhere, plus an explosion of popular cell phones, is boosting sales of all its gadgets.
21	25	DELL	13,231	11,600	15%	U.S.	It has the biggest market share in personal computers and is now aggressively pushing printers, TVs, and laptops as PC demand slows.
22	19	FORD	13,159	14,475	-9%	U.S.	Mustang is red hot. But SUVs and pickups, which had been top money-makers, are cold, and competition hammers truck profit margins.
23	22	PEPSI	12,399	12,066	3%	U.S.	Increasing emphasis on Diet Pepsi and Hispanic marketing, plus big-event advertising on the Super Bowl and *Oscars* is boosting brand growth.
24	23	NESCAFE	12,241	11,892	3%	Switzerland	Holding its own in the Starbucks era by offering ready-to-drink products such as Ice Java coffee coolers.
25	26	MERRILL LYNCH	12,018	11,499	5%	U.S.	Its revamped retail brokerage business is increasingly being recognized as the best performer in the industry.
26	24	BUDWEISER	11,878	11,846	0%	U.S.	The King of Beers sputtered a bit in 2004, owing to competition from domestic brewers and spirit makers. Bud is battling back with new products.
27	28	ORACLE	10,887	10,935	0%	U.S.	Winning the battle for PeopleSoft, and two other acquisitions, was easy. Oracle now has to integrate all of those products and employees.
28	20	SONY	10,754	12,759	-16%	Japan	Top priority for Sir Howard Stringer, Sony's first ever *gaijin* CEO: getting the company's consumer electronics biz back on track.
29	30	HSBC	10,429	8,671	20%	Britain	HSBC's three-year-old campaign, "The World's Local Bank," is paying dividends as it rebrands international acquisitions.
30	31	NIKE	10,114	9,260	9%	U.S.	While rivals branch out into hip hop, Nike focuses on athletics. The swoosh overtook Adidas as the biggest supplier of soccer shoes in Europe.
31	29	PFIZER	9,981	10,635	-6%	U.S.	Patent expirations and a weak new-product pipeline hurt the No. 1 drugmaker's prospects. A cost-cutting push won't cure those ailments.
32	NEW	UPS	9,923	New	New	U.S.	Buying regional shippers and rebranding them has enabled Brown to benefit from explosion in mail order and Net selling.
33	27	MORGAN STANLEY	9,777	11,498	-15%	U.S.	Very public management turmoil and the ouster of CEO Philip J. Purcell seriously damaged the firm's sterling reputation.
34	30	JPMORGAN	9,455	9,782	-3%	U.S.	JPMorgan Chase's venerable name has taken its lumps as the bank struggles to absorb its latest acquisition, Chicago's Bank One.
35	35	CANON	9,044	8,056	12%	Japan	Color copiers and top-notch cameras make Canon one of Japan's most profitable companies. Tennis star Maria Sharapova adds star quality.
36	34	SAP	9,006	8,323	8%	Germany	The software giant gained brand value thanks to innovation and smart marketing, but rival Oracle grabbed headlines with its PeopleSoft takeover.
37	37	GOLDMAN SACHS	8,495	7,954	7%	U.S.	Prestige and stability count for a lot, especially when other firms have high-profile management traumas.
38	NEW	GOOGLE	8,461	New	New	U.S.	Google spent $5 million on marketing in 2004, a fraction of the totals spent by competitors. Yet more people than ever go to Google to search.
39	36	KELLOGG'S	8,306	8,029	3%	U.S.	Cereal is up and acquired brands like Keebler and Morningstar Farms are up even more. International growth is strong.
40	38	GAP	8,195	7,873	4%	U.S.	Sarah Jessica Parker couldn't fend off lackluster sales in 2004. Now the clothier is betting on remodeled stores to move more merchandise.
41	43	APPLE	7,985	6,871	16%	U.S.	With iPod mania showing no signs of abating, Apple's brand is hotter than ever. That's giving a lift to Mac sales and sets the stage for new offerings.
42	40	IKEA	7,817	7,182	9%	Sweden	The Swedish furniture giant continues to boost sales through smart design and aggressive geographic expansion.
43	NEW	NOVARTIS	7,746	New	New	Switzerland	A heavy advertiser, it ran ads during the Super Bowl and is big in Internet search advertising.
44	45	UBS	7,565	6,526	16%	Switzerland	Its global brand strategy is winning new customers for private wealth management business.

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SCOREBOARD

RANK 2005	RANK 2004		2005 BRAND VALUE $MILLIONS	2004 BRAND VALUE $MILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
45	39	SIEMENS	7,507	7,470	1%	Germany	After selling the money-losing mobile handset business, new CEO Klaus Kleinfeld is concentrating on business-to-business products.
46	41	HARLEY-DAVIDSON	7,346	7,057	4%	U.S.	Harley lost 27% of its stock value this spring. Its problems: slowing growth, high bike prices, and aging Baby Boomer buyers.
47	42	HEINZ	6,932	7,026	-1%	U.S.	It continues to fight private-label brands for space on kitchen tables, buying Lea & Perrins Worcestershire Sauce in June.
48	47	MTV	6,647	6,456	3%	U.S.	The planned cleaving of parent Viacom to unlock shareholder value underscores the growth prospects, particularly overseas, of MTV Networks.
49	59	GUCCI	6,619	NA	NA	Italy	Star designer Tom Ford stepped down last year, but CEO Robert Polet has put Gucci back on its feet with strong sales of footwear and leather accessories.
50	46	NINTENDO	6,470	6,479	0%	Japan	The brand is treading water, but launch of the Nintendo DS portable games machine should raise the company's profile.
51	50	ACCENTURE	6,142	5,772	6%	U.S.	Outsourcing has been a strong growth area, winning high-profile, high-value contracts such as border security in the U.S.
52	49	L'OREAL	6,005	5,902	2%	France	The beauty-products giant is sitting pretty, with strong growth in the U.S. and Asia. Sagging European sales are starting to shore up.
53	65	PHILIPS	5,901	NA	NA	Netherlands	The consumer electronics and medical systems colossus launched a global rebranding effort that raised its ranking, but its visibility still lags in the U.S.
54	51	XEROX	5,705	5,696	0%	U.S.	Despite a steady march of new products—40 in 2004 alone—the copier giant has not been able to build momentum with investors.
55	60	EBAY	5,701	4,700	21%	U.S.	The online marketplace's brand value shot up thanks to a runup in its stock price. But revenue growth is slowing as some merchants try rivals.
56	48	VOLKSWAGEN	5,617	6,410	-12%	Germany	Unexciting designs and luxury products forced on a value brand is costing the German auto maker customers worldwide.
57	52	WRIGLEY'S	5,543	5,424	2%	U.S.	The No. 1 name in gum is making a big push into other tasty treats with its recent purchase of Altoids and Life Savers.
58	61	YAHOO!	5,256	4,545	16%	U.S.	The decade-old Internet brand has matured from "colorful" and "wacky" to "useful" and "indispensible" in recent years.
59	58	AVON	5,213	4,849	8%	U.S.	Struggles in the U.S. market were offset by red-hot direct sales in Eastern Europe and other developing economies.
60	56	COLGATE	5,186	4,929	5%	U.S.	Responding to the rising challenge of rival P&G, the global toothpaste giant sharply increased advertising and promotional spending in 2004.
61	54	KFC	5,112	5,118	0%	U.S.	KFC is going away from "healthy" offerings, playing up guilty pleasures and moving back to the Kentucky Fried Chicken brand name.
62	53	KODAK	4,979	5,231	-5%	U.S.	Though Kodak has made impressive strides in digital photography, the stock has been hurt by a credit-rating demotion to junk-bond status.
63	55	PIZZA HUT	4,963	5,050	-2%	U.S.	"Healthy" pizza items and aggressive product-placement strategy in video games aren't enough to overcome the low-carb eating trend.
64	57	KLEENEX	4,922	4,881	1%	U.S.	As Gen Y consumers buy private label or whatever is on sale, Kleenex plays the innovation card with its launch of Moist Cloth tissues.
65	64	CHANEL	4,778	4,416	8%	France	The Paris fashion house is the essence of chic. Nicole Kidman promoting Chanel No. 5 perfume helps, too.
66	62	NESTLE	4,744	4,529	5%	Switzerland	Best known for chocolate, the Swiss food giant posts stronger sales growth from newer products such as Aquarel bottled water.
67	63	DANONE	4,513	4,488	1%	France	U.S. and Asian sales of Danone yogurts and yogurt-based drinks help offset recent weakness in its core European markets.
68	66	AMAZON.COM	4,248	4,156	2%	U.S.	The pioneering e-tailer has kept its brand equity steady by chucking TV ads and spending the money on relentlessly lowering prices.
69	67	KRAFT	4,238	4,112	3%	U.S.	A leaner portfolio of brands should give the maker of Oreos and Maxwell House a boost on store shelves.
70	68	CATERPILLAR	4,085	3,801	7%	U.S.	Cat, with its giant earth-hauling machines, maintains a strong reputation for ruggedness.
71	69	ADIDAS	4,033	3,740	8%	Germany	Collaboration with hip-hop queen Missy Elliott proves that athlete endorsements aren't the only way to sell sports apparel.
72	70	ROLEX	3,906	3,720	5%	Switzerland	Still the ultimate status-symbol timepiece, Rolex is polishing its appeal with marketing initiatives such as an arts sponsorship program.
73	76	MOTOROLA	3,877	3,483	11%	U.S.	Slick designs like the $500 Razr phone make Motorola a force, especially at the high-end of personal digital electronics.

Interbrand

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74	71	REUTERS	3,866	3,691	5%	Britain	CEO Tom Glocer has led a revival, but catching up to archrival Bloomberg is still an uphill battle.
75	72	BP	3,802	3,662	4%	Britain	Despite a Texas refinery accident and a damaged platform in the Gulf of Mexico, BP is challenging ExxonMobil for pole position in the oil industry.
76	74	PORSCHE	3,777	3,646	4%	Germany	An SUV at the legendary sports car company didn't hurt brand caché. A sedan might be next. The company is testing how broad the brand can be.
77	NEW	ZARA	3,730	New	New	Spain	Cutting-edge Spanish apparel retailer epitomizes cheap chic, knocking out mass-produced copies of catwalk fashions almost overnight.
78	77	PANASONIC	3,714	3,480	7%	Japan	With first-rate DVD recorders and the best-selling plasma TVs in the U.S., small wonder that Panasonic's star is rising.
79	81	AUDI	3,686	3,288	12%	Germany	Germany's No. 3 luxury-carmaker scored a big improvement in initial quality in J.D. Power's 2005 ranking, leading to 8.2% higher sales worldwide.
80	80	DURACELL	3,679	3,362	9%	U.S.	Despite rampant price competition in the battery business, Duracell has achieved record profitability thanks to cost-cutting and effective ads.
81	75	TIFFANY & CO.	3,618	3,638	-1%	U.S.	Japan turned cold for Tiffany this year, contributing to disappointing earnings in the last half of the year.
82	79	HERMES	3,540	3,376	5%	France	Designer Jean-Paul Gaultier is wowing fans of the family-run luxury group with new takes on the Birkin and Kelly handbags.
83	78	HERTZ	3,521	3,411	3%	U.S.	Still a leader with business travelers, Hertz shouldn't miss a beat when Ford completes the sale of this market-leading rental-car business.
84	NEW	HYUNDAI	3,480	New	New	S. Korea	It's the fastest-growing auto brand in the world. Now it's aggressively moving upscale into bigger, more profitable segments.
85	90	NISSAN	3,203	2,833	13%	Japan	Snappy designs and aggressive pricing are raising Nissan's market share along with its profits.
86	83	HENNESSY	3,201	3,084	4%	France	Hip-hop artists made this French cognac a U.S. best-seller. Asia could fuel future growth.
87	88	ING	3,177	2,864	11%	Netherlands	ING Direct is a phenomenal success. It's the largest online bank. Now it's aiming for Chinese expansion with its Bank of Beijing investment.
88	86	SMIRNOFF	3,097	2,975	4%	Britain	Sales are up significantly after rebranding campaign. Extension into malt liquor Ice brand has been a big success.
89	91	CARTIER	3,050	2,749	11%	France	After several tough years, the jewel in Swiss luxury group Richemont's crown has rediscovered its sparkle, thanks to new jewelry lines.
90	84	SHELL	3,048	2,985	2%	Brit./Neth.	CEO Jeroen van der Veer is juicing up exploration while cleaning house after a scandal about overstated reserves.
91	87	JOHNSON & JOHNSON	3,040	2,952	3%	U.S.	While the drug business has stowed, J&J's medical devices continue to power earnings. But questions now surround its purchase of Guidant.
92	89	MOET & CHANDON	2,991	2,861	5%	France	Strong U.S. and Asian champagne sales keep the bubbly flowing at parent company LVMH.
93	95	PRADA	2,760	2,568	7%	Italy	Designer Miuccia Prada still stirs up fashionista frenzies with her edgy handbags and shoes. Sales in Asia were up 25% last year.
94	NEW	BULGARI	2,715	New	New	Italy	A move into luxury hotels and resorts is enhancing the jeweler's exclusive brand image.
95	93	ARMANI	2,677	2,613	2%	Italy	The Italian king of style is now moving into home furnishings, hotels, and restaurants. Still missing is a plan for his succession.
96	85	LEVI'S	2,655	2,979	-11%	U.S.	Newer brands like Citizens of Humanity and Miss Sixty keep chipping away at Levi's cool factor. Sales of Levi's jeans in the U.S. were flat from 2003.
97	NEW	LG	2,645	New	New	S. Korea	Once best known for its microwave ovens and basic refrigerators, LG is now rolling out snazzy cell phones, plasma TVs, and digital gizmos.
98	97	NIVEA	2,576	2,409	7%	Germany	The business formula has growing appeal to aging baby boomers on a budget: Skin care that doesn't cost a fortune.
99	98	STARBUCKS	2,576	2,400	7%	U.S.	Profits and share price remain high. Now Starbucks is pushing to become a force in music distribution.
100	99	HEINEKEN	2,357	2,380	-1%	Netherlands	Still the leading international beer brand, but the Amsterdam-based brewer is struggling to keep growth going.

The brand valuations draw upon publicly available information, which has not been independently investigated by Interbrand. Valuations do not represent a guarantee of future performance of the brands or companies. NA = Not available. Last year's brand value has been restated due to the availability of new data. Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley, BusinessWeek

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