

SHUTTERFLY USHERS IN ERA OF DIGITAL PHOTOGRAPHY

REDWOOD CITY, Calif. (December 13, 1999) — Shutterfly, a new company chaired by Jim Clark, founder of Silicon Graphics and Netscape Communications, today announced the launch of its new all-digital Internet photo printing service. Designed from the ground up for digital camera users, Shutterfly is the only service that transforms digital images into true 35-mm quality prints and mails them directly to individuals, their friends, and family with a single click. By owning the end-to-end photo printing process, Shutterfly is able to provide unprecedented print quality and convenience to its users. Shutterfly uses its own patent-pending technology to optimize the printing process for popular digital cameras and provides an innovative order system to send prints directly to multiple recipients.

"Digital camera use is skyrocketing," said Jim Clark, chairman of Shutterfly. "I anticipate that Shutterfly will revolutionize the digital photography market by combining the convenience and lower costs of digital imaging with the high quality and longevity of traditional film."

Now available at www.shutterfly.com, this new service is changing the face of photography by providing users with the benefits they need to embrace digital photography.

- *35-mm Quality.* For the first time users can create 35-mm quality prints from their digital cameras. By automatically optimizing for specific digital cameras and enhancing color, contrast, and image detail, Shutterfly provides prints of unparalleled quality.
- *Convenient Ordering and Delivery.* Users can not only order prints from the comfort of their homes, they can also get enlargements without the hassle and expense associated with traditional film processing. No more lost negatives, trips to the local photo lab, or trips to the post office. And with Shutterfly, users can mail their favorite prints to friends and family with a single click.
- *Personalized Service.* Prints are optimized for a user's own digital camera and can be personalized with digital frames, effects, and printed messages. Photos can be stored on the Shutterfly service for free in secure, private photo albums.

How the Service Works

The Shutterfly service lets users upload, store, share and print digital photos, mailing them quickly and conveniently to multiple addresses. A full-service online retail experience, Shutterfly makes shopping intuitive, quick and convenient. Users can choose the photos they want to print as well as the size, the quantity, the cost, and the destinations all on a single screen. Prints and merchandise can be easily shipped to multiple addresses with a single click. For added convenience, frequently used addresses can be stored in an address book. Shipping options include USPS Regular Mail and overnight delivery. Invited family members and friends can view photos and order their own prints and related merchandise from the Shutterfly website.

"We are providing a way for consumers to get quality prints from digital images, quickly, easily and intuitively," said Jayne Spiegelman, Shutterfly CEO, a twenty-year veteran retailing executive chosen to head the new company. "As a sign of our commitment, we have already built an extensive digital printing facility that can scale to meet the demands of this rapidly growing market. We want to establish the Shutterfly brand as the consumer's first choice for photo-finishing in the world of digital photography."

Shutterfly has created a state-of-the-art printing facility that uses patent-pending image enhancement and color-correction technologies to deliver prints with the quality of 35-mm photographs. Shutterfly's technology automatically calibrates for leading digital cameras and optimizes prints for its in-house digital print lab. In addition, users will be able add captions, custom borders, and frames.

With the launch of this new service, Shutterfly is providing a critical service for digital camera users that will ignite growth in the digital camera market. By creating 35-mm quality prints and enlargements from digital images and delivering prints to the mailboxes of users, their friends, and families, Shutterfly is creating a new digital photography world.

The Digital Photography Market

Amateur photography is a multibillion-dollar market today. The digital photography category is growing beyond even the most optimistic expectations with retail experts predicting that digital cameras will be one of the top selling items this holiday season. Imerge Consulting Group LLC, a leading imaging market research and business development firm, predicts that film digitization, Internet membership photo sharing and the redistribution of images to prints and reprints, will be a \$5.64 billion opportunity by the year 2003.

Shutterfly will capitalize on this market opportunity by offering the simplest, fastest and most convenient way for photographers,

their families and friends to obtain high-quality prints, including reprints and enlargements, from digital images.

The Shutterfly Investors and Management Team

Shutterfly has in place an executive team with the visionary leadership, consumer marketing expertise and technological prowess to achieve its market goals. Principal investors Jim Clark and George Zachary of Mohr, Davidow Ventures (MDV) have worked together to build Shutterfly's management team and devise the company's strategy.

Chairman Jim Clark, well known as a high technology visionary, is the founder of Silicon Graphics, Inc., Netscape Communications, Healtheon and MyCFO.com. Clark's personal interest in digital photography and Shutterfly's unique business model attracted him to the company.

CEO and Co-Founder Jayne Spiegelman brings twenty years of retail marketing experience in the highly competitive consumer electronics and fashion merchandising industries to the venture. Under her leadership, Spiegelman is creating a branded online consumer experience second to none.

Eva Manolis, Vice President, Web Products and Services, and Co-Founder is in charge of the design and operation of Shutterfly's website. Her design expertise in Internet systems and digital imaging applications comes from her previous executive positions at Live Picture, Inc. and SGI.

Dan Baum, Vice President, Lab Systems, and Co-Founder is in charge of Shutterfly's digital image enhancement and printing services. A computer scientist and digital imaging expert with years of management experience, Baum is a veteran of SGI. Baum is also a professional photographer.

About Shutterfly

Shutterfly, Inc. is the all-digital online photo printing service. Using proprietary digital imaging and color printing technologies, Shutterfly transforms digital images into 35-mm quality prints and mails them directly to individuals, family and friends. The privately held company is headquartered in Redwood Shores, California. For more information about the company, visit its web site at www.shutterfly.com.

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