

For more information, contact: LaTara Strong: tara.strong@hillandknowlton.com

**GLOBAL GRAY MARKET THREATENS BRAND INTEGRITY AND ERODES PROFITS FOR
INFORMATION TECHNOLOGY MANUFACTURERS**

Silicon Valley, Calif., February 20, 2003 – The Anti-Gray Market Alliance (AGMA) announced today the information technology industry is losing an estimated \$5 billion in lost profits annually, according to the findings of a recent KPMG survey. The staggering results show billions of dollars in lost profits due to the sale of gray market products -- branded products diverted from authorized distribution channels or imported into another country without a manufacturer's consent.

Commissioned by the information technology industry's AGMA, the KPMG study found the gray market for information technology products is valued at as much as \$40 billion in sales each year.

The study found that products traveling through the gray market pose risks to customers, including the sale of obsolete, damaged or counterfeit parts and products delivered without warranty and support. It also found that an estimated 60 percent of end users pay the same amount for products originating from the gray market versus products that originate from the legitimate distribution channels. Consumers who experience quality problems with gray market products in turn, blame manufacturers for product failures, potentially decreasing the value of the Original Equipment Manufacturers' (OEMs) brands.

"The gray market is a serious threat to manufacturers, customers and authorized distribution channels," said Marie Myers, AGMA chairman. "Without utilizing the proper channels and distributors, consumers take the risk of purchasing damaged or products without warranties – this not only hurts the consumer, but can threaten a company's reputation with customers and investors."

The KPMG study, which surveyed high-ranking executives at 63 leading IT OEMs, distributors, resellers and brokers, found that distributors and brokers obtain product to sell to the gray market by violating distribution agreements, misrepresenting customer identity in special discount programs, or using fraudulent documentation. Of the OEMs surveyed, 62 percent identified situations where products that were discounted for a specific end use did not get delivered to the appropriate end user. And 86 percent of the OEMs cited instances of inappropriate discount claims.

Myers added, “In order to protect brand integrity, ensure product quality and promote positive customer buying experiences, manufacturers need to take preventive steps to address gray market issues. AGMA members are taking an aggressive approach to embrace best practices in the industry to reduce the flow of goods to the gray market.”

About the Anti-Gray Market Alliance

The Anti-Gray Market Alliance is a group of leading information technology companies committed to addressing the global impact of the gray market on the technology industry. Alliance members include 3Com, Advanced Fibre Communications, Cisco, Hewlett-Packard, Lexmark International, Western Digital, Xerox and Zebra Technologies. More information about AGMA can be found at www.antigraymarket.org.

###