



**Q3 2004 Financial Results  
Conference Call Slides**

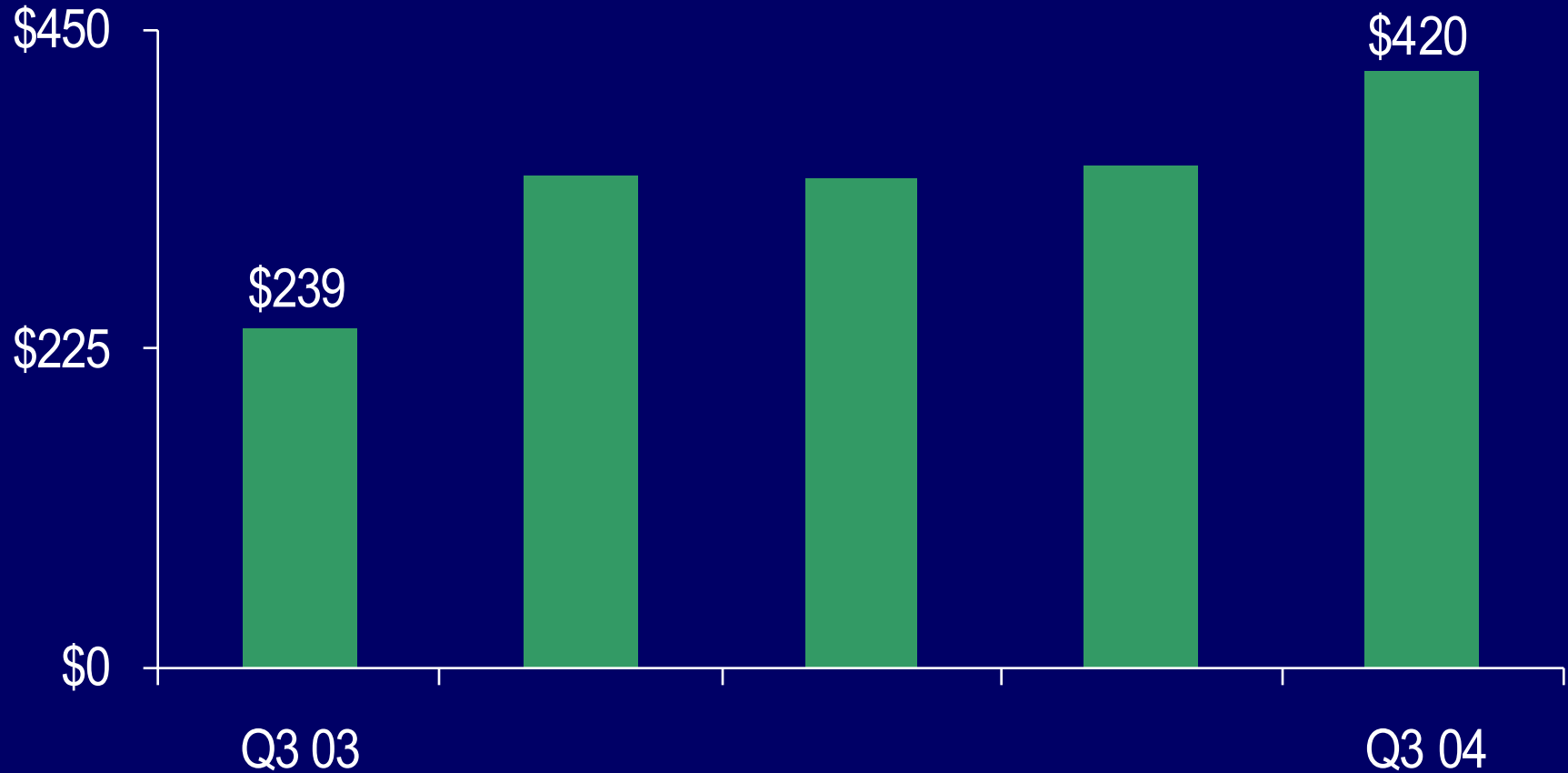
# Amazon.com

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*This presentation may contain forward-looking statements, including statements regarding expectations of sales, gross margin, productivity, leverage, operating results, consolidated segment operating results, capital investment, return on capital, free cash flow and other financial statement or balance sheet items or ratios, all of which are inherently difficult to predict. Actual results could differ materially for a variety of reasons, including, in addition to the factors discussed above, the amount that Amazon.com invests in new business opportunities and the timing of those investments; the mix of products sold to customers; the mix of net sales derived from products as compared with services; competition; management of growth; potential fluctuations in operating results; fulfillment center optimization; risks of inventory management; seasonality; the degree to which the Company enters into, maintains and develops commercial agreements, acquisitions and strategic transactions; international growth and expansion; and risks of fulfillment throughput and productivity. Other risks and uncertainties include, among others, risk of future losses, significant amount of indebtedness, system interruptions, consumer trends, limited operating history, government regulation and taxation, fraud, and new business areas. 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, 2003, and all subsequent filings. Additional information relating to certain of our financial measures contained herein is available in our most recent press release and at our website at [www.amazon.com/ir](http://www.amazon.com/ir) under 'Financial Documents'.*

# Performance Trends

Free Cash Flow\* -- Trailing Twelve Months (TTM)  
(\$MM)

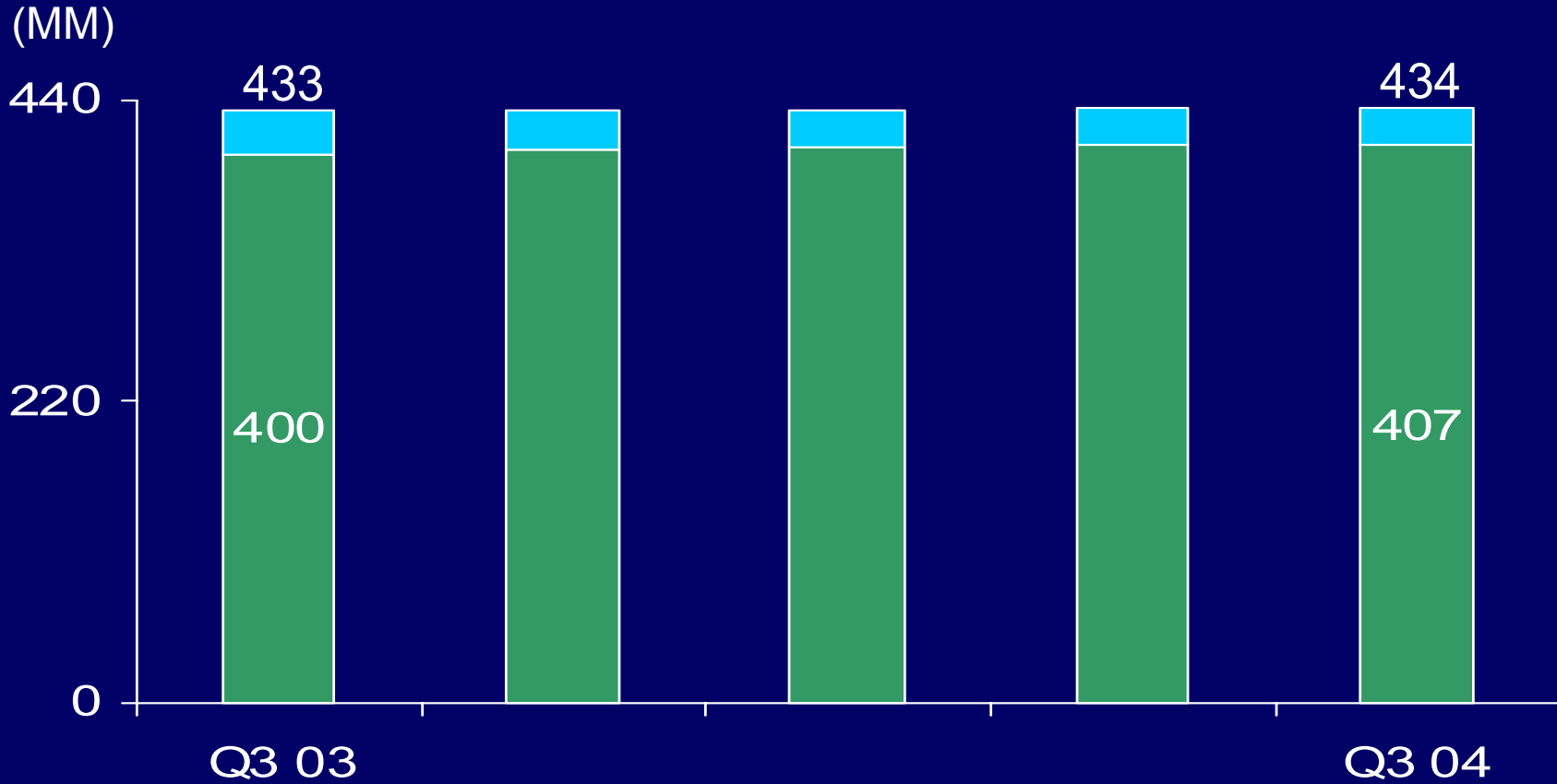


**76% Improvement Y / Y**

\* Operating Cash Flow Less Capital Expenditures (including capitalized software & development) -- see appendix

# Performance Trends

## Efficiently Managing Dilution



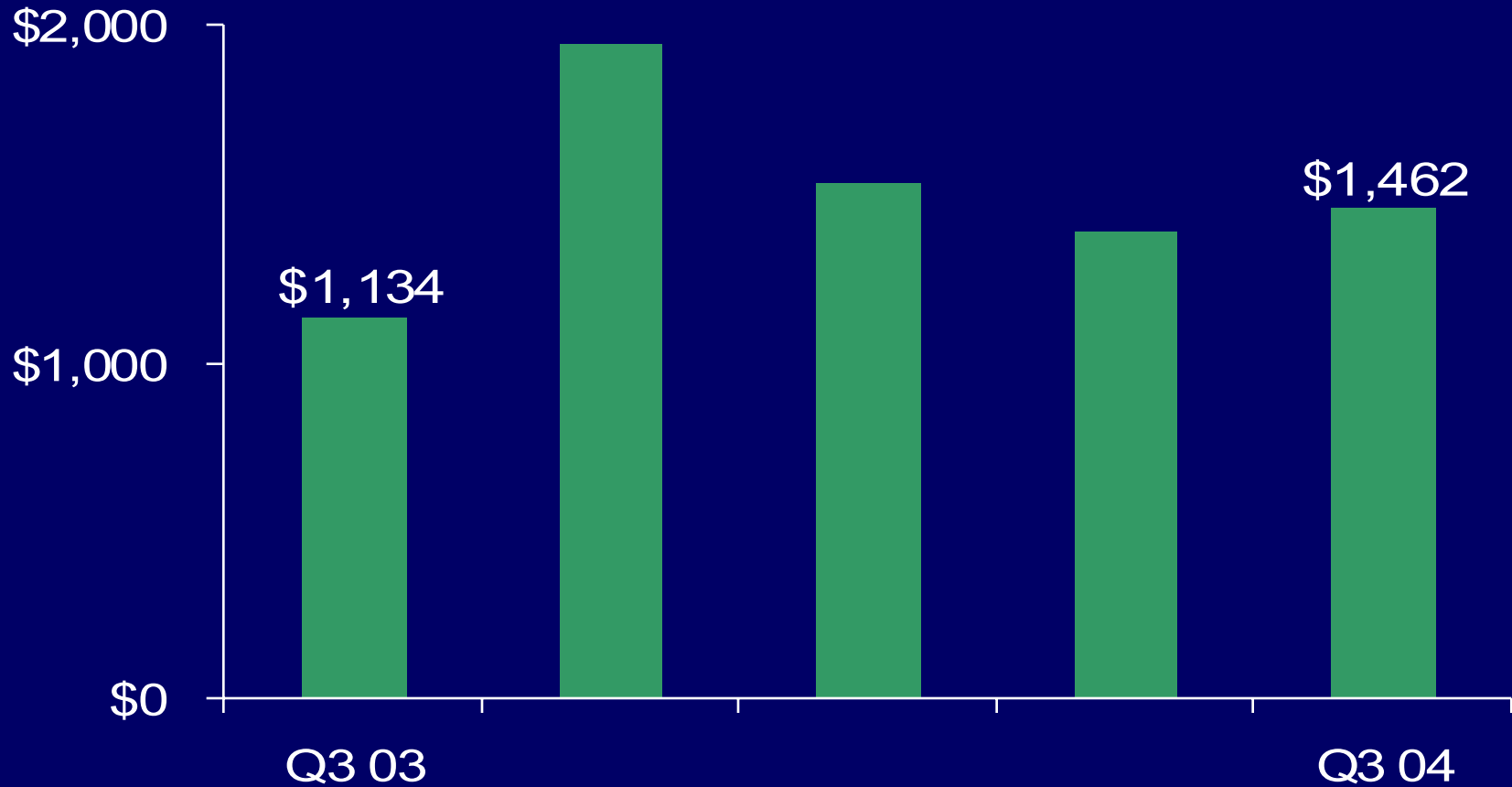
■ Shares Outstanding ■ Stock Awards Outstanding

**Focused on Dilution -- Flat Y/Y**

# Performance Trends

## Net Sales

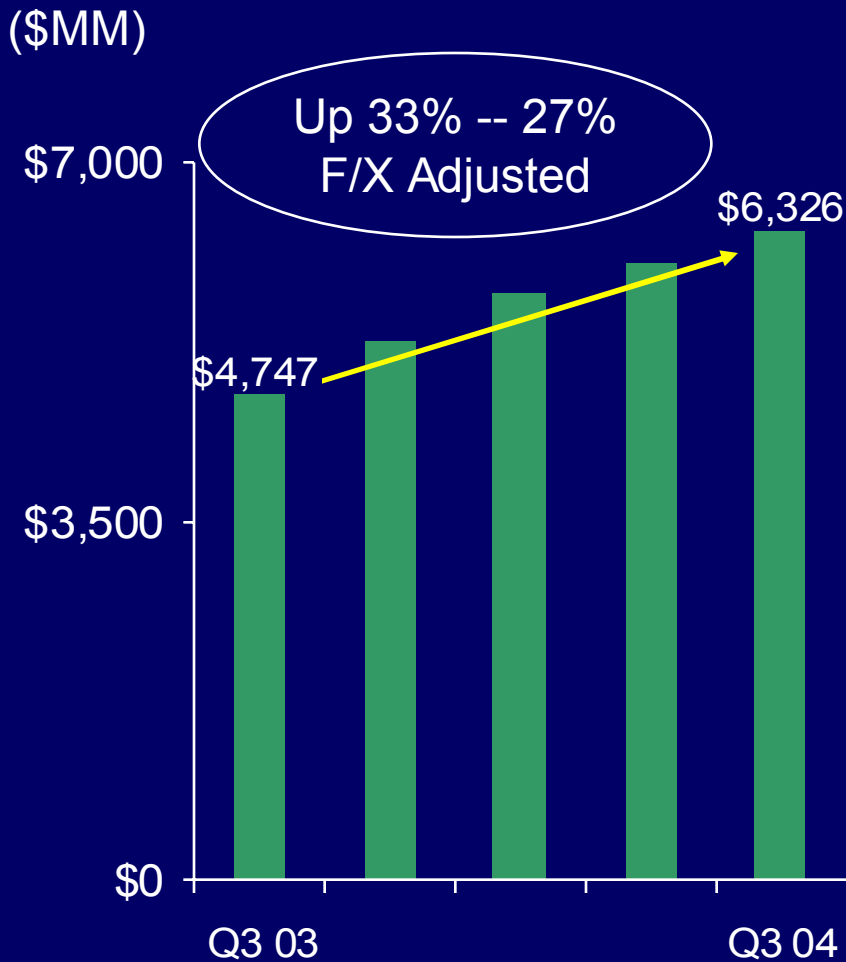
(\$MM)



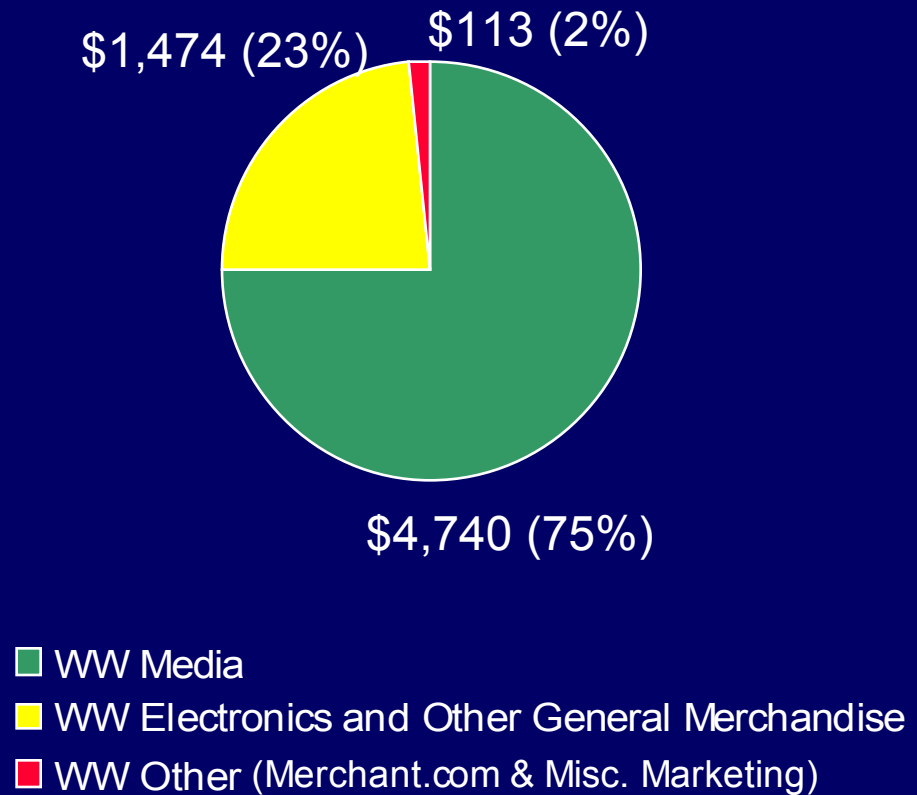
Up 29% Y / Y (24% F/X Adjusted)

# Performance Trends

## Net Sales -- TTM



## WW Revenue Mix

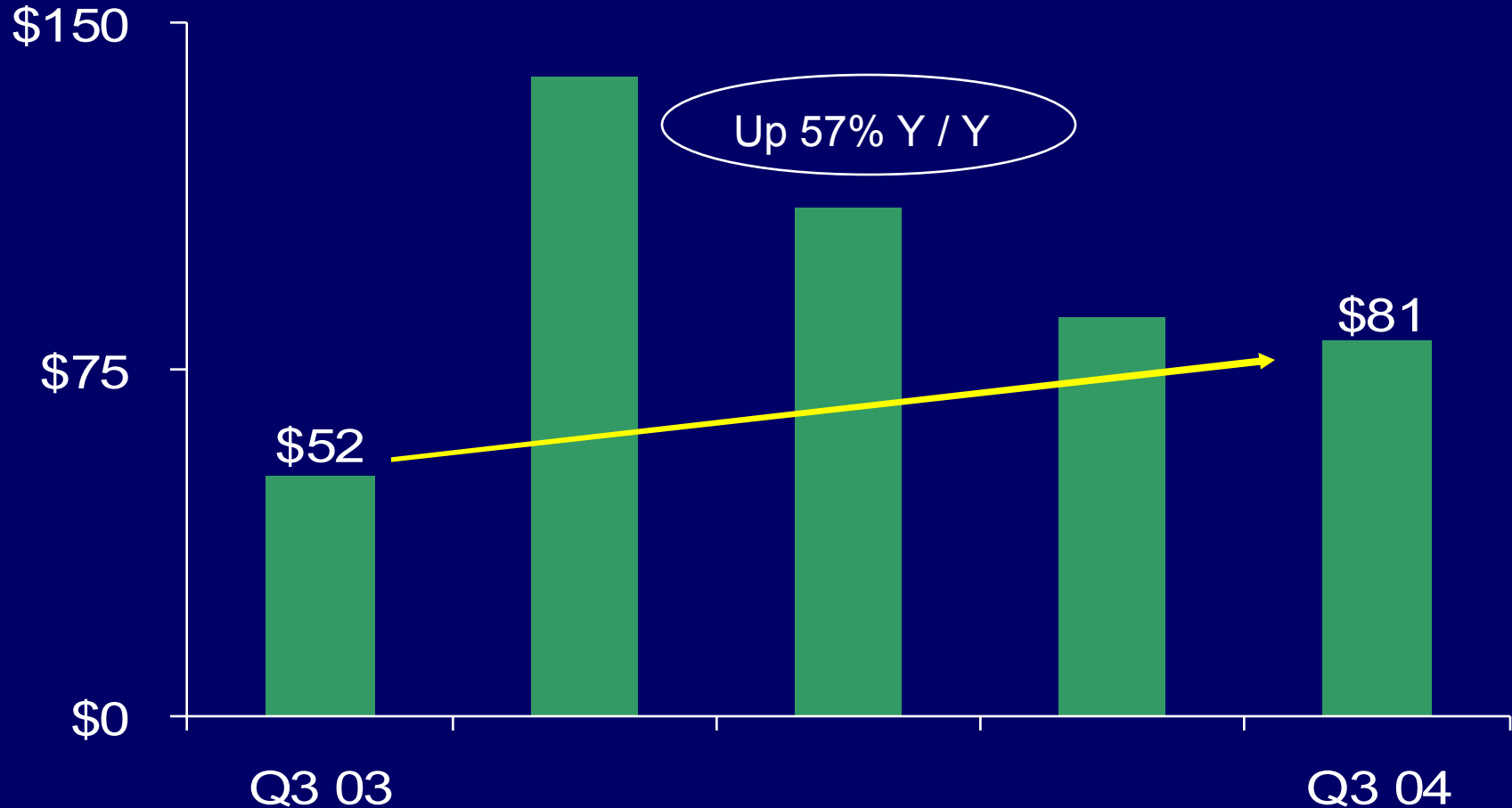


**25% of WW Revenue From Non-Media Categories**

# Performance Trends

## GAAP Operating Income

(\$MM)

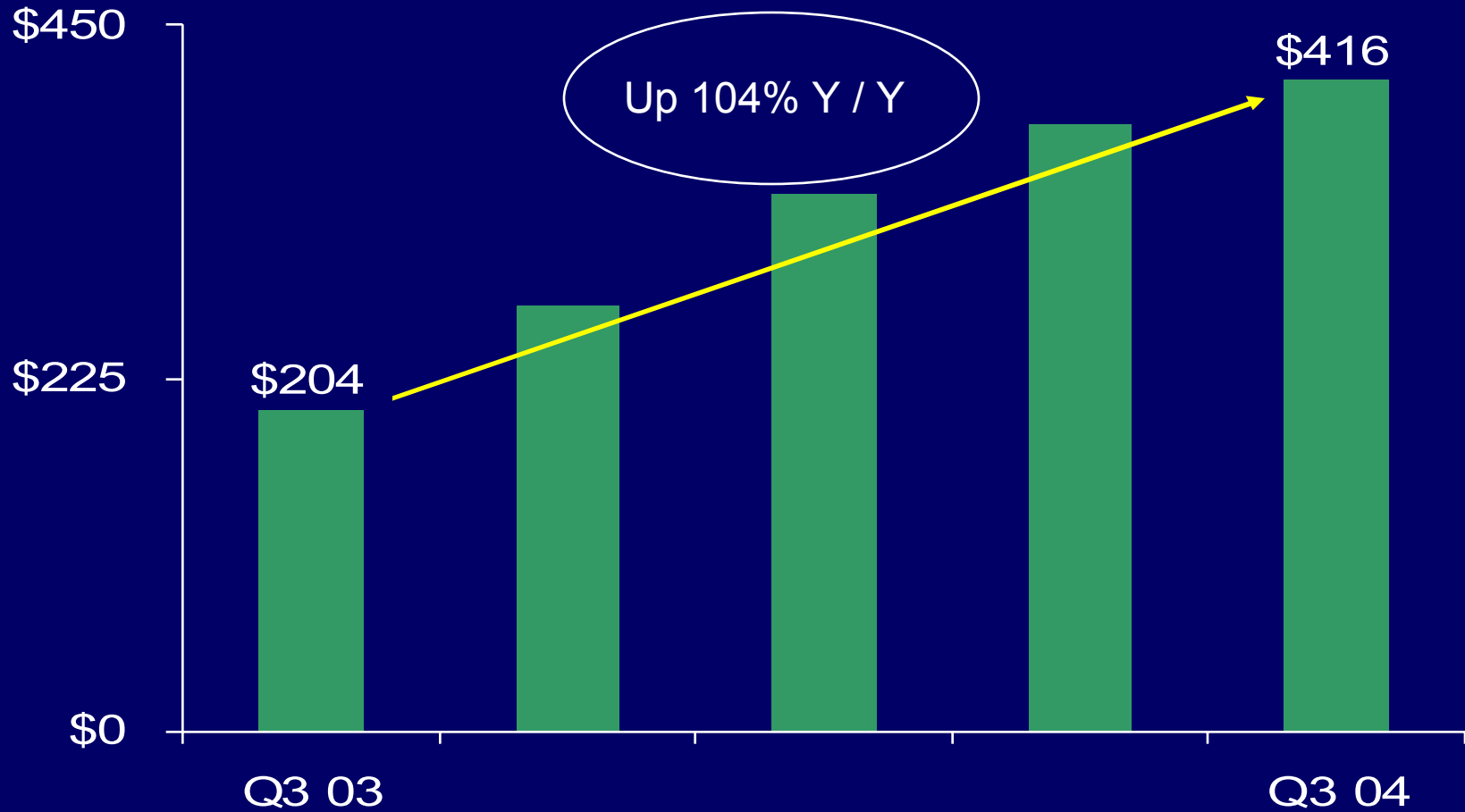


TTM GAAP Operating Margin -- 5.6%

# Performance Trends

## GAAP Operating Income -- TTM

(\$MM)

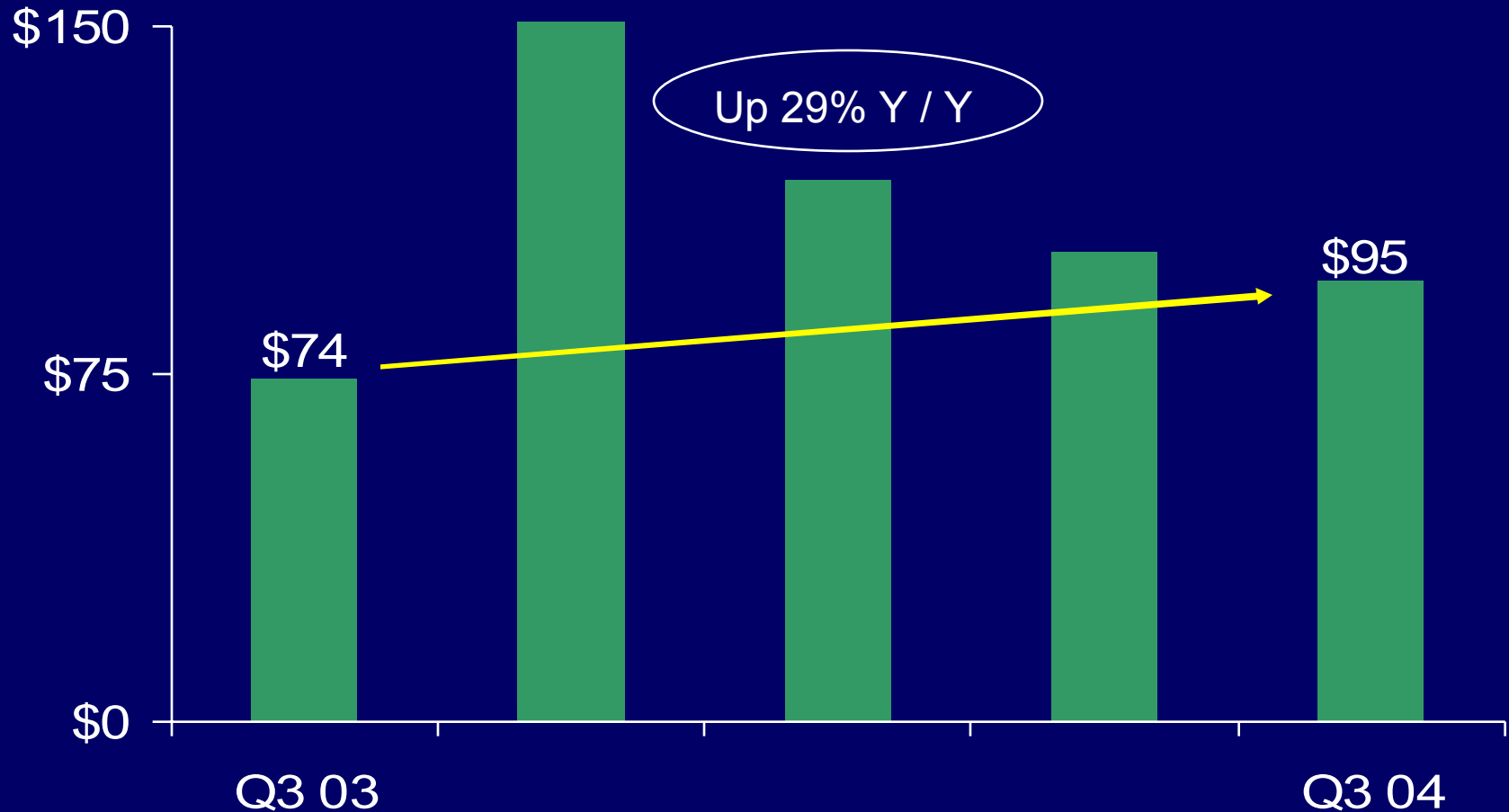


Q3 04 GAAP Operating Margin -- 6.6%

# Performance Trends

## Consolidated Segment Operating Income\*

(\$MM)

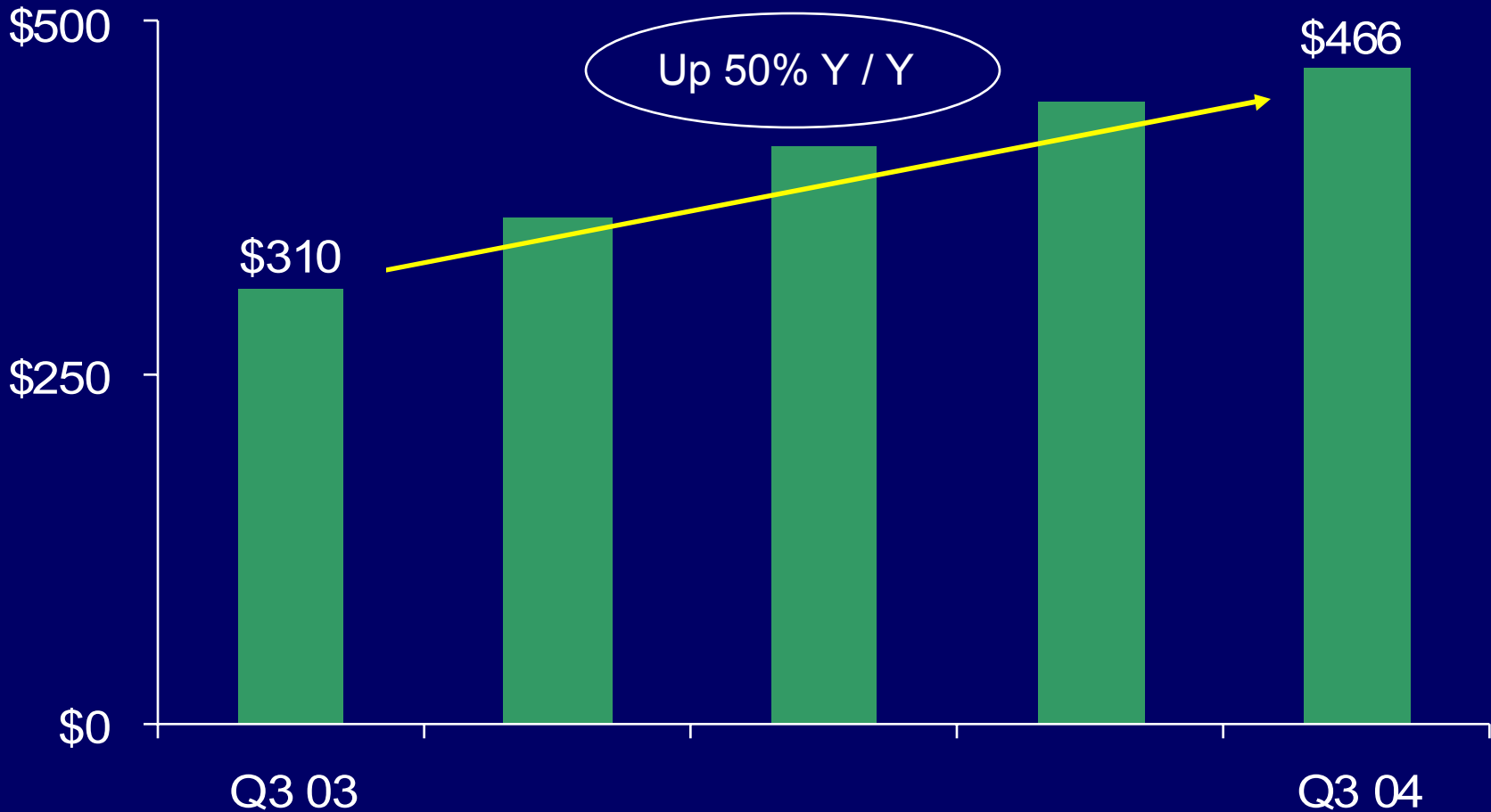


**Q3 04 Consolidated Segment Operating Margin -- 6.5%**

\* See appendix

# Performance Trends

Consolidated Segment Operating Income\* -- TTM  
(\$MM)



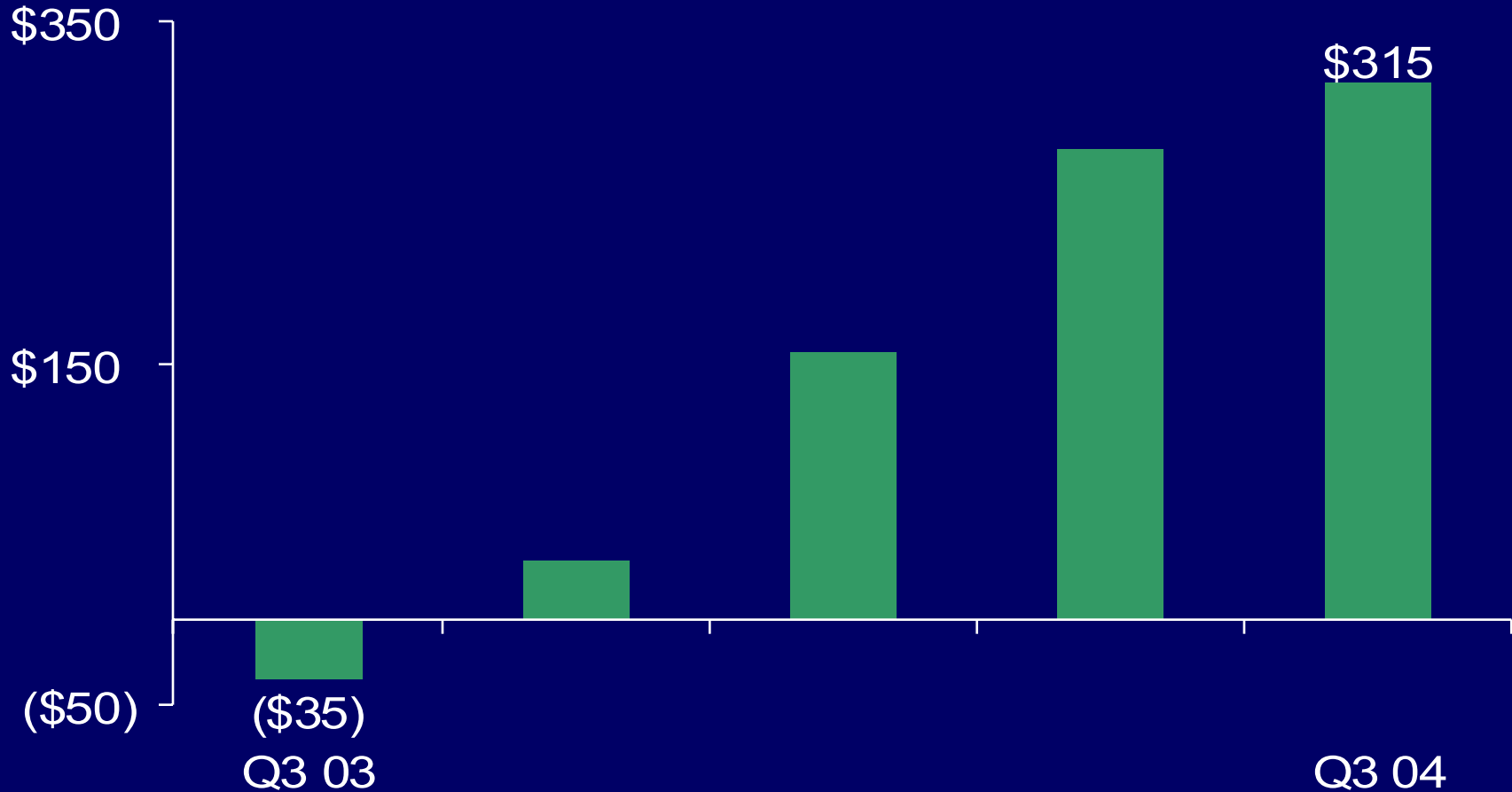
**TTM Consolidated Segment Operating Margin -- 7.4%**

\* See appendix

# Performance Trends

## GAAP Net Income (Loss) -- TTM

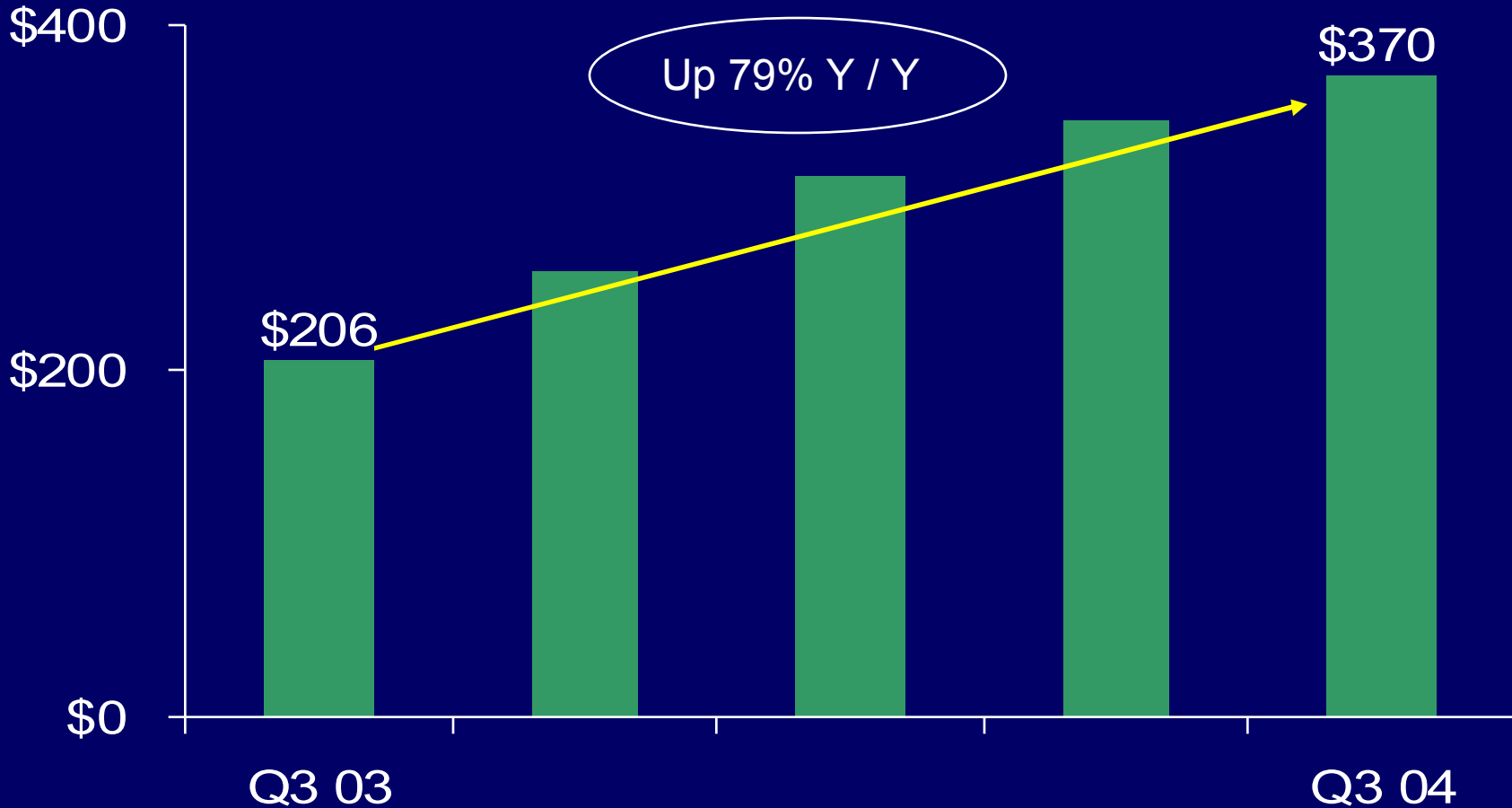
(\$MM)



Q3 04 GAAP Net Income \$54MM, TTM Diluted EPS \$0.74

# Performance Trends

Pro Forma Net Income\* -- TTM  
(\$MM)



**Q3 04 Pro Forma Net Income \$73MM, TTM Diluted EPS \$0.87**

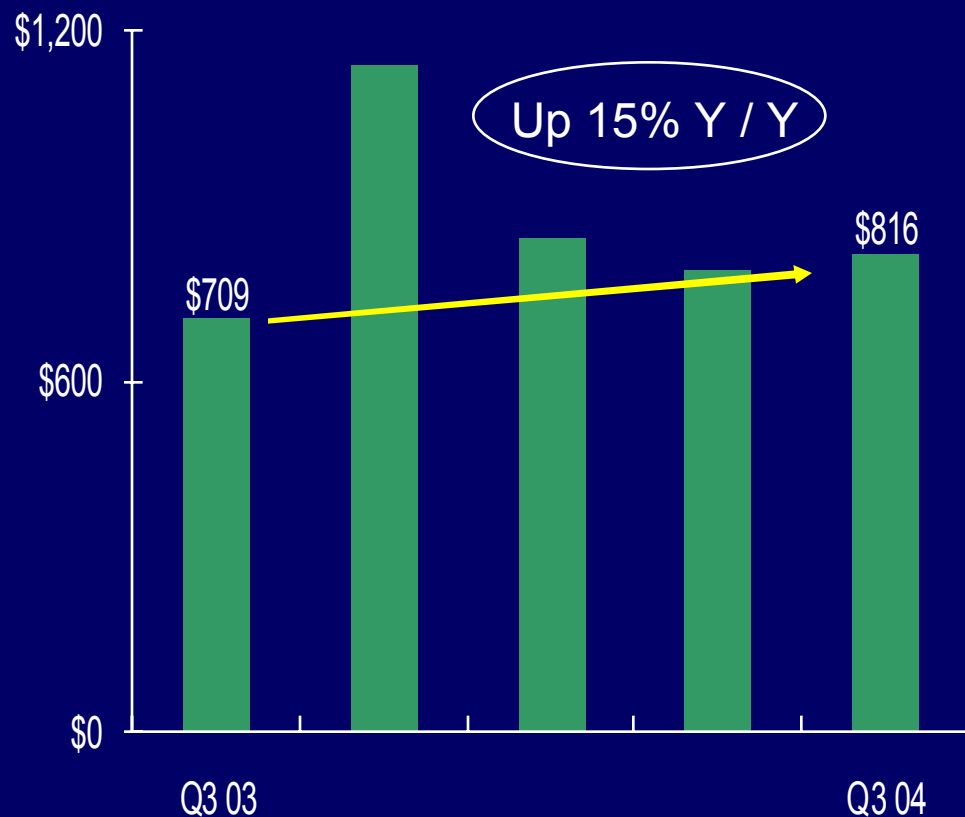
\* See appendix

# Segment Highlights

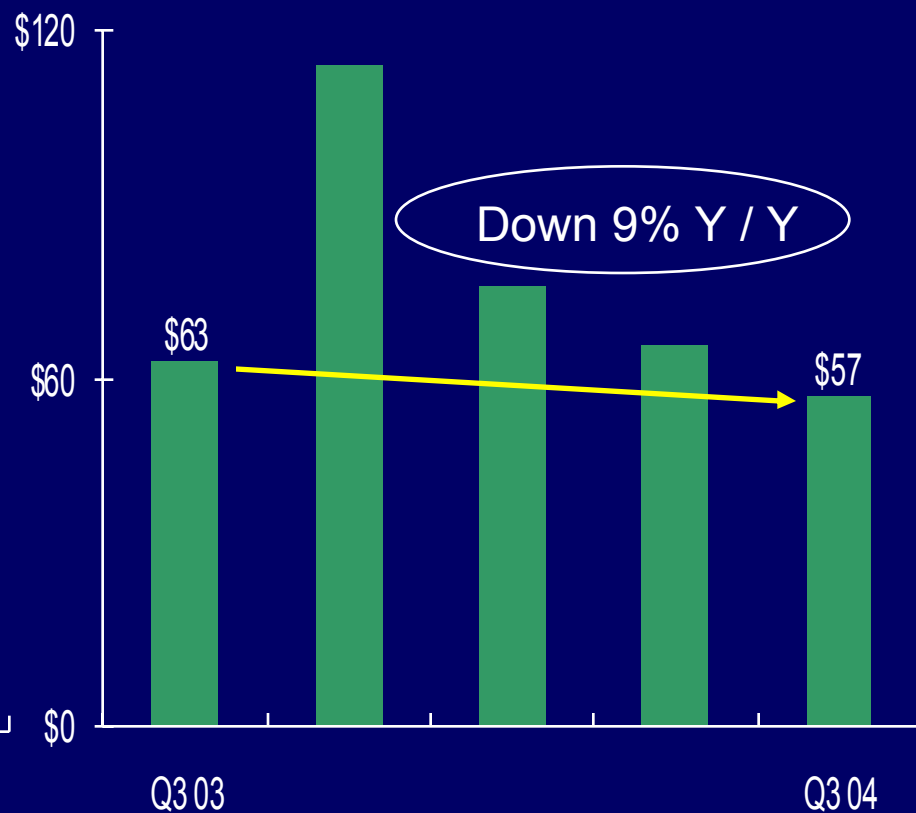
## North America

(\$MM)

### Net Sales



### Segment Operating Income



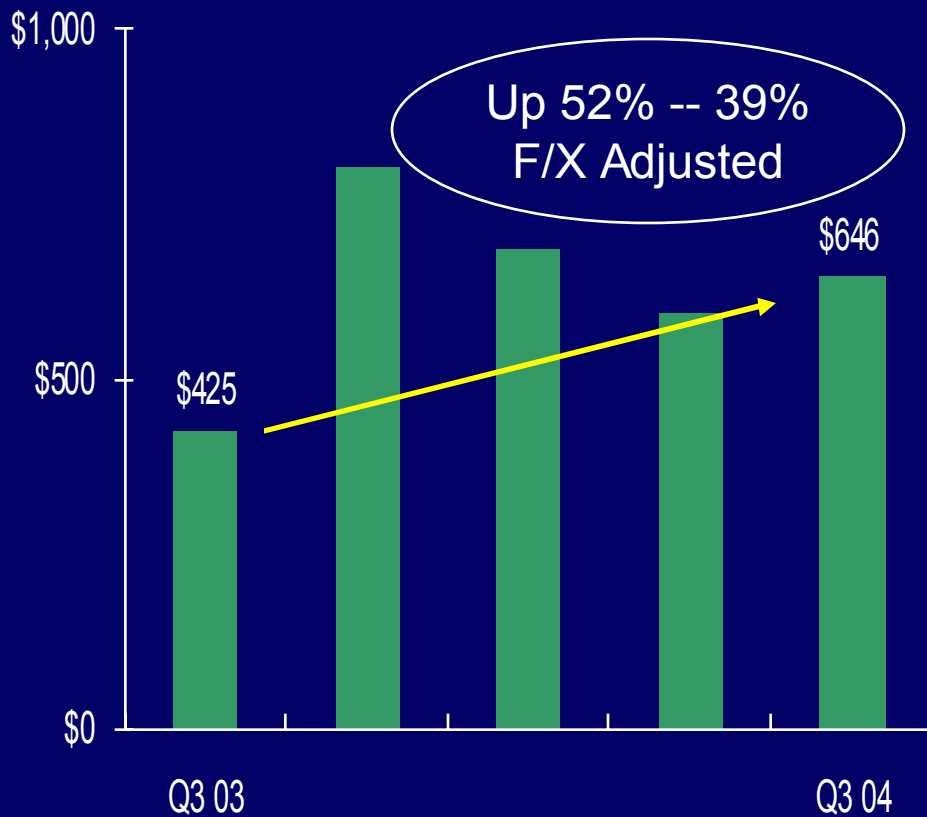
**Q3 04 -- 7.0% Segment Operating Margin**

# Segment Highlights

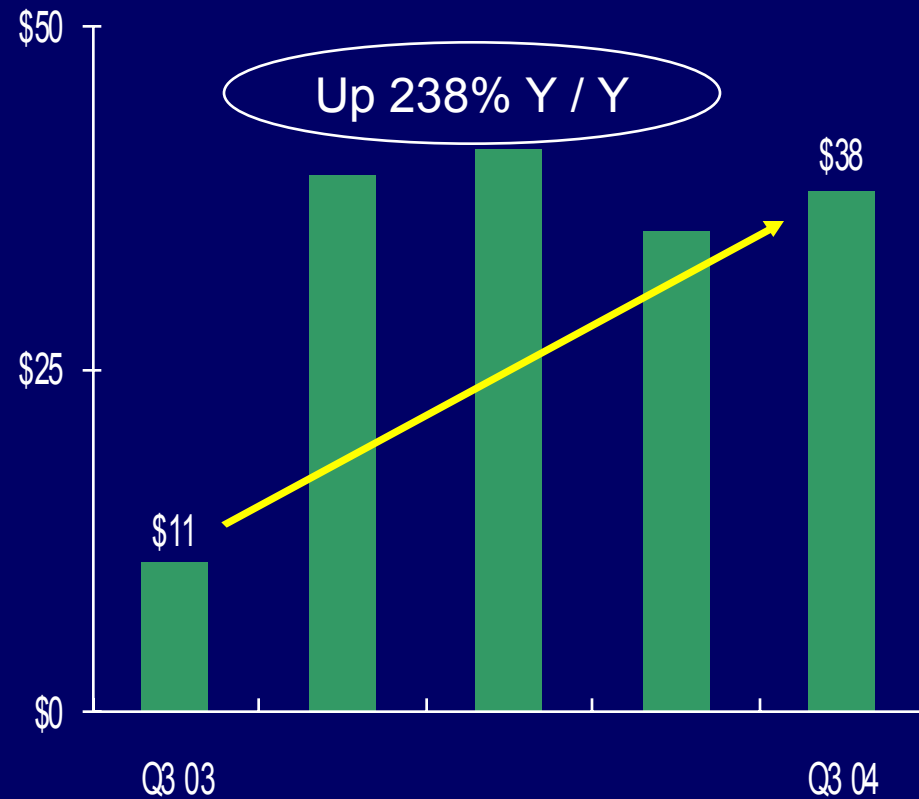
## International

(\$MM)

### Net Sales



### Segment Operating Income



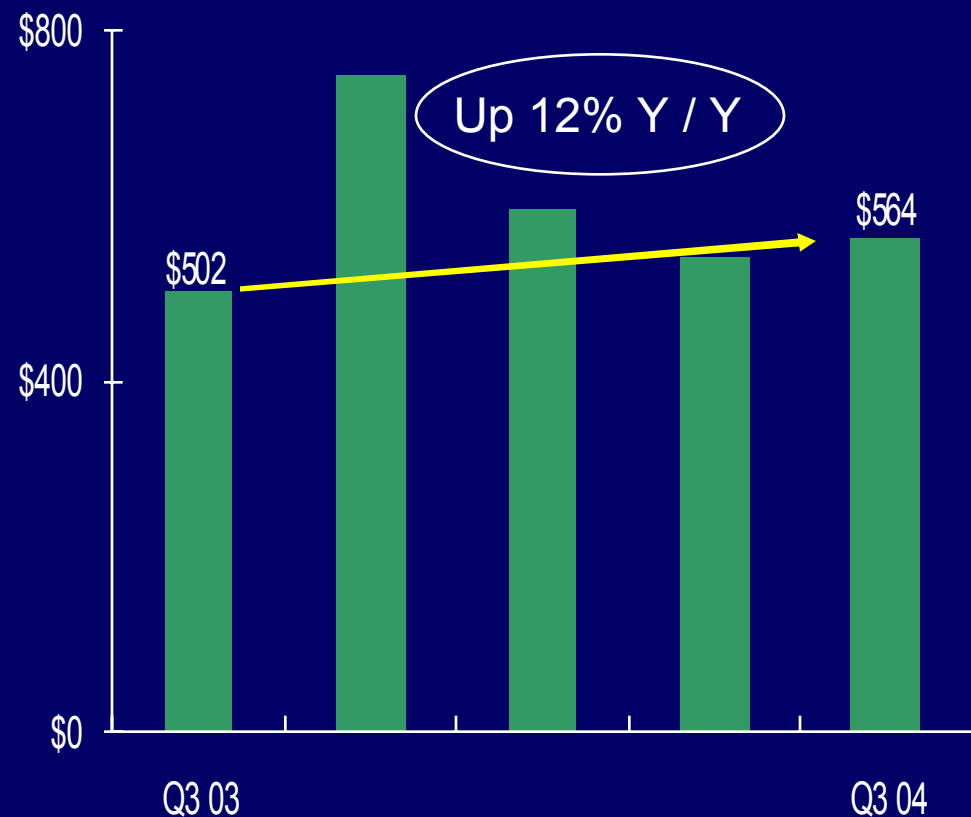
**TTM Net Sales Over \$2.7 Billion**

# Supplemental Revenue Highlights

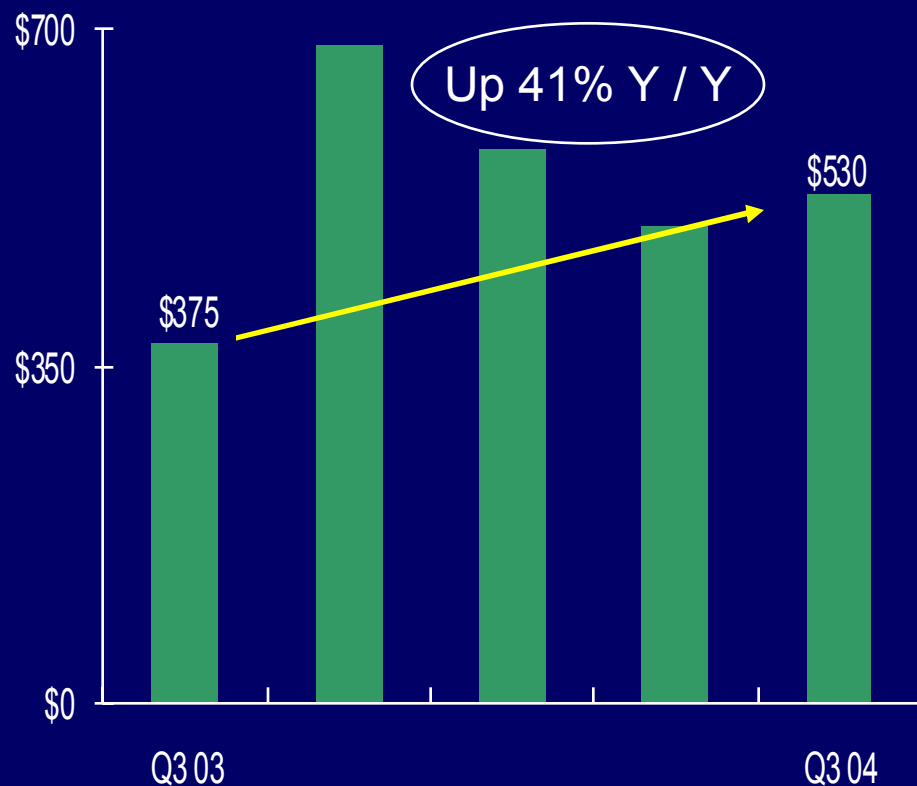
## Media

(\$MM)

### North America



### International



**Media: Books, Music, DVD/Video, Magazines, Software & Video Games**

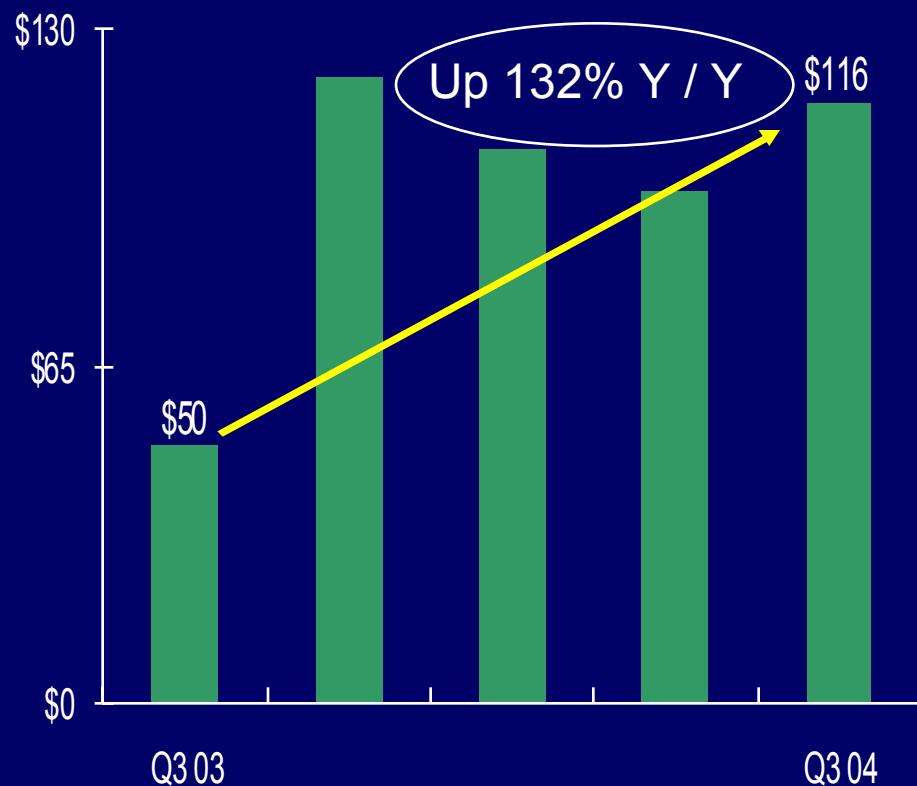
# Supplemental Revenue Highlights

## Electronics and Other General Merchandise (EGM)

(\$MM)

### North America

### International



**EGM: Includes Electronics & Office, Tools, Toys & Baby, Home & Garden, Apparel, Sports & Outdoors, Jewelry & Watches, Gourmet Food, Beauty, and Health & Personal Care**

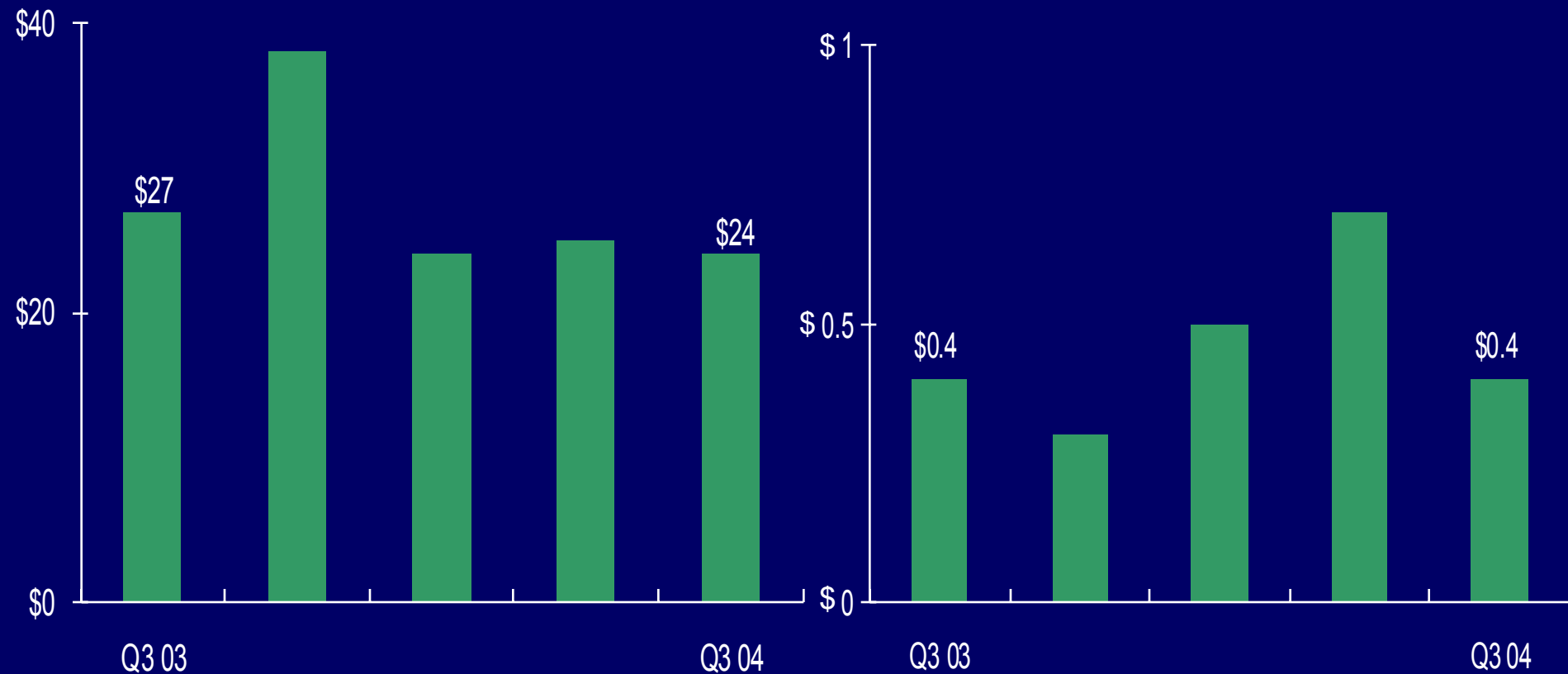
# Supplemental Revenue Highlights

## Other

(\$MM)

### North America

### International



**Other: Merchant.com & Miscellaneous Marketing and Promotional Activities**

**amazon.com**<sup>®</sup>  
 **and you're done.**<sup>™</sup>

# Appendix

# Free Cash Flow

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## Reconciliation -- TTM

(\$MM)

	<u>Q3 03</u>	<u>Q4 03</u>	<u>Q1 04</u>	<u>Q2 04</u>	<u>Q3 04</u>
Operating Cash Flow	\$284	\$392	\$393	\$410	\$490
Less: Purchases of Fixed Assets	<u>44</u>	<u>46</u>	<u>49</u>	<u>56</u>	<u>70</u>
Free Cash Flow	<u>\$239</u>	<u>\$346</u>	<u>\$344</u>	<u>\$354</u>	<u>\$420</u>

# Consolidated Segment Operating Income

## Reconciliation

(\$MM)

	<u>Q3 03</u>	<u>Q4 03</u>	<u>Q1 04</u>	<u>Q2 04</u>	<u>Q3 04</u>
Consolidated Segment Operating Income	\$74	\$153	\$117	\$101	\$95
Less:					
Stock-Based Compensation	21	15	7	22	9
Other Operating Expense (Income)	1	--	(1)	(7)	5
GAAP Income From Operations	<u>\$52</u>	<u>\$138</u>	<u>\$110</u>	<u>\$86</u>	<u>\$81</u>

# Consolidated Segment Operating Income

## Reconciliation -- TTM

(\$MM)

	<u>Q3 03</u>	<u>Q4 03</u>	<u>Q1 04</u>	<u>Q2 04</u>	<u>Q3 04</u>
<b>Consolidated Segment Operating Income</b>	<b>\$310</b>	<b>\$361</b>	<b>\$411</b>	<b>\$444</b>	<b>\$466</b>
<b>Less:</b>					
<b>Stock-Based Compensation</b>	<b>108</b>	<b>88</b>	<b>68</b>	<b>65</b>	<b>53</b>
<b>Other Operating Expense (Income)</b>	<b>(2)</b>	<b>3</b>	<b>1</b>	<b>(7)</b>	<b>(3)</b>
<b>GAAP Income From Operations</b>	<b><u>\$204</u></b>	<b><u>\$271</u></b>	<b><u>\$342</u></b>	<b><u>\$386</u></b>	<b><u>\$416</u></b>