AMAZON.COM ANNOUNCES 28% SALES GROWTH FUELED BY LOWER PRICES; FREE SUPER SAVER SHIPPING ON ORDERS OVER $25 TO CONTINUE YEAR-ROUND

SEATTLE—(BUSINESS WIRE)—January 23, 2003—Amazon.com, Inc. (NASD: AMZN), today announced financial results for its fourth quarter and fiscal year ended December 31, 2002.

Free cash flow was $135 million for fiscal 2002, compared with negative $170 million for 2001. Free cash flow includes cash outflows for interest and capital expenditures and excludes proceeds from the exercise of stock-based employee awards.

Common shares outstanding plus shares underlying stock-based employee awards totaled 433 million at December 31, 2002, a decrease of 1% compared with a year ago.

Net sales were a record $1.429 billion in the fourth quarter, compared with $1.115 billion in the fourth quarter 2001, an increase of 28%. Net sales grew 26% to a record $3.933 billion for fiscal 2002, compared with $3.122 billion for 2001.

Operating income was $71 million in the fourth quarter, or 5% of net sales, compared with $15 million in the fourth quarter 2001. Operating income for fiscal 2002 improved to $64 million, or 2% of net sales, compared with a 2001 operating loss of $412 million. Pro forma operating profit in the fourth quarter grew 74% to $102 million, or 7% of net sales, compared with a fourth quarter 2001 pro forma operating profit of $59 million. Pro forma operating profit for fiscal 2002 was $180 million, or 5% of net sales, an improvement of $225 million compared with 2001.

Net income was $3 million, or $0.01 per share, in the fourth quarter, compared with $5 million in the fourth quarter 2001, or $0.01 per share. Net loss for fiscal 2002 was $149 million, or $0.39 per share, compared with $567 million, or $1.56 per share, in 2001. Pro forma net profit in the fourth quarter, which includes interest expense, grew over $40 million to $75 million, or $0.19 per share, compared with $35 million, or $0.09 per share, in the fourth quarter 2001. Pro forma net profit for fiscal 2002 improved over $223 million to $66 million, or $0.17 per share, compared with a 2001 pro forma net loss of $157 million, or $0.43 per share. (Details on the differences between GAAP results and pro forma results are included below, with a tabular reconciliation of those differences included in the attached financial statements.)

“On top of the five price cuts we’ve made over the past 18 months, we’re announcing today that we’ve decided to make Free Super Saver Shipping on orders over $25 a full-time, year-round offer,” said Jeff Bezos, Amazon.com founder and CEO. “We’re at a tipping point. Customers are now shopping at Amazon.com as much for our lower prices as for our selection and convenience.”

In addition to its year-round Free Super Saver Shipping on orders over $25 at www.amazon.com, the Company offers free shipping options at its U.K., German, French, Japanese and Canadian sites. Amazon.com also offers 30% off books over $15 and significantly lowered prices on electronics, tools, and bestselling CDs and DVDs.

“Our continued operational progress and momentum allow us to offer year-round free shipping and at the same time increase our 2003 guidance,” said Tom Szkutak, chief financial officer of Amazon.com. “Our 2003 objective is to continue improving productivity and lowering prices for customers.”

Highlights of Fourth Quarter and Fiscal 2002 Results (comparisons are with the equivalent period of 2001)

- Worldwide unit growth was 34% for 2002.
- Third-party seller transactions (new, used and refurbished items sold on Amazon.com product detail pages by businesses and individuals) grew to 21% of worldwide units in the fourth quarter, compared with 16% of units a year ago.

- Inventory turns improved 22% to 19 for 2002, up from 16.
- Books, Music and DVD/Video segment sales grew 13% to $606 million in the fourth quarter and pro forma operating profit grew 14% to $73 million.
- Electronics, Tools and Kitchen segment sales grew 21% to $262 million in the fourth quarter and pro forma operating loss declined 52% to $10 million.
- International segment sales, representing the Company's U.K., German, French and Japanese sites, grew 76% to $461 million in the fourth quarter and exceeded $1 billion for the first time with sales of $1.169 billion in 2002. Pro forma operating profit was $20 million in the fourth quarter, or 4% of net sales, and approached breakeven for 2002.
- Apparel and Accessories, with more than 450 brands and one shopping cart, is the Company's fastest growing store in terms of units sold in the first 60 days since it opened in November.

Financial Guidance and 2003 Expectations

The following forward-looking statements reflect Amazon.com's expectations as of January 23, 2003. Results may be materially affected by many factors, such as changes in global economic conditions and consumer spending, fluctuations in foreign-currency rates, the emerging nature and rate of growth of the Internet and online commerce, and the various factors detailed below.

First Quarter 2003 Guidance

- First quarter net sales are expected to be between $1.025 billion and $1.075 billion, or grow between 21% and 27%.
- First quarter pro forma net profit is expected to be between $5 million and $20 million, or between $0.01 per share and $0.05 per share.

Full Year 2003 Expectations

- Net sales are expected to grow over 15%.
- Pro forma net profit is expected to be over $115 million, or over $0.27 per share.

A conference call will be Webcast live today at 2 p.m. PT/5 p.m. ET and will be available through March 31, 2003, at www.amazon.com/ir. This call will contain forward-looking statements and other material information.

These forward-looking statements are inherently difficult to predict. Actual results could differ materially for a variety of reasons, including, among others, the rate of growth of the economy in general and of the Internet and online commerce; customer spending patterns; 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; risks of inventory management; the degree to which the Company enters into, maintains and develops service relationships with third-party sellers and other strategic transactions; foreign-currency exchange risks; seasonality; international growth and expansion; risks of fulfillment throughput and productivity; and fluctuations in the value of securities and non-cash payments Amazon.com receives in connection with such transactions. Other risks and uncertainties include, among others, risk of future losses, significant amount of indebtedness, potential fluctuations in operating results, management of potential growth, system interruptions, consumer trends, fulfillment center optimization, inventory, limited operating history, government regulation and taxation, customer or third-party sellers fraud, Amazon.com Payments, and new business areas, 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, 2001, and all subsequent filings.

Pro Forma Results

Pro forma results, which generally exclude non-operational, non-cash expenses and income as well as one-time charges, are provided as a complement to results provided in accordance with accounting principles generally accepted in the United States (known as "GAAP"). Management uses such pro forma measures internally to evaluate the Company's performance and manage its operations. A reconciliation of GAAP to pro forma is included in the attached financial statements.

Pro forma operating profit (loss) excludes the following line items on the Company's statements of operations:

- Stock-based compensation,
- Amortization of goodwill and other intangibles, and
- Restructuring-related and other.

Pro forma net profit (loss) excludes, in addition to the line items described above, the following line items on the Company's statements of operations:

- Other gains (losses), net,
- Equity in losses of equity-method investees, net, and
- Cumulative effect of change in accounting principle.

About Amazon.com

Amazon.com, a Fortune 500 company based in Seattle, opened its virtual doors on the World Wide Web in July 1995 and today offers Earth's Biggest Selection. Amazon.com seeks to be the world's most customer-centric company, where customers can find and discover anything they might want to buy online at a great price. Amazon.com and sellers list millions of unique new and used items in categories such as apparel and accessories, electronics, computers, kitchen and housewares, books, music, DVDs, videos, cameras and photo items, office products, toys, baby items and baby registry, software, computer and video games, cell phones and service, tools and hardware, travel services, magazine subscriptions and outdoor living items. Through Amazon Marketplace, zShops and Auctions, any business or individual can sell virtually anything to Amazon.com's millions of customers.

Amazon.com operates six global Web sites: www.amazon.com, www.amazon.co.uk, www.amazon.de, www.amazon.fr, www.amazon.co.jp and www.amazon.ca.

Contact:

Amazon.com Investor Relations
Tim Halladay, 206/266-2171, ir@amazon.com

Amazon.com Public Relations
Bill Curry, 206/266-7180

AMAZON.COM, INC.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	$ 327,564	$ 432,307	$ 540,282	$ 822,435
OPERATING ACTIVITIES:				
Net income (loss)	2,651	5,087	(149,132)	(567,277)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation of fixed assets and other amortization	19,863	21,047	82,274	84,709
Stock-based compensation	35,680	1,937	68,927	4,637
Equity in losses of equity-method investees, net	700	1,855	4,169	30,327
Amortization of goodwill and other intangibles	913	37,537	5,478	181,033
Non-cash restructuring-related and other	1,100	2,883	3,470	73,293
Gain on sale of marketable securities, net	(1,867)	(198)	(5,700)	(1,335)
Other losses (gains), net	40,596	(16,312)	96,273	2,141
Non-cash interest expense and other	7,150	6,510	29,586	26,629
Cumulative effect of change in accounting principle	-	-	(801)	10,523
Changes in operating assets and liabilities:				
Inventories	(48,368)	(13,813)	(51,303)	30,628
Accounts receivable, net and other current assets	(1,528)	2,641	(32,948)	20,732
Accounts payable	262,838	209,546	156,542	(44,438)
Accrued expenses and other current liabilities	41,946	65,243	4,491	50,031
Unearned revenue	19,763	38,098	95,404	114,738
Amortization of previously unearned revenue	(37,725)	(40,408)	(135,466)	(135,808)
Interest payable	28,867	27,467	3,027	(345)
Net cash provided by (used in) operating activities	372,579	349,120	174,291	(119,782)
INVESTING ACTIVITIES:				
Sales and maturities of marketable securities and other investments	152,757	67,316	553,289	370,377
Purchases of marketable securities	(173,520)	(286,214)	(635,810)	(567,152)
Purchases of fixed assets, including internal-use software and Web site development	(15,516)	(7,534)	(39,163)	(50,321)
Investments in equity-method investees and other investments	-	(6,198)	-	(6,198)
Net cash used in investing activities	(36,279)	(232,630)	(121,684)	(253,294)
FINANCING ACTIVITIES:				
Proceeds from exercise of stock options and other	65,376	2,047	121,689	16,625
Proceeds from issuance of common stock, net of issuance costs	-	-	-	99,831
Proceeds from long-term debt and other	-	-	-	10,000
Repayment of capital lease obligations and other	(2,674)	(4,440)	(14,795)	(19,575)
Net cash provided by (used in) financing activities	62,702	(2,393)	106,894	106,881
Effect of exchange-rate changes on cash and cash equivalents	11,688	(6,122)	38,471	(15,958)
Net increase (decrease) in cash and cash equivalents	410,690	107,975	197,972	(282,153)
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 738,254	$ 540,282	$ 738,254	$ 540,282
SUPPLEMENTAL CASH FLOW INFORMATION:				
Fixed assets acquired under capital leases and other financing arrangements	$ 726	$ 1,114	$ 3,023	$ 5,597
Equity securities received for commercial agreements	-	-	-	331
Stock issued in connection with business acquisitions and minority investments	-	5,000	-	5,000
Cash paid for interest	642	1,194	111,589	112,184

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended December 31, 2002	Three Months Ended December 31, 2001	Year Ended December 31, 2002	Year Ended December 31, 2001
Net sales	$ 1,428,610	$ 1,115,171	$ 3,932,936	$ 3,122,433
Cost of sales	1,093,451	841,122	2,940,318	2,323,875
Gross profit	335,159	274,049	992,618	798,558
Operating expenses:				
Fulfillment	126,559	109,019	392,467	374,250
Marketing	37,579	34,450	125,383	138,283
Technology and content	49,048	52,325	215,617	241,165
General and administrative	20,015	19,575	79,049	89,862
Stock-based compensation (1)	35,680	1,937	68,927	4,637
Amortization of goodwill and other intangibles	913	37,537	5,478	181,033
Restructuring-related and other	(5,158)	4,681	41,573	181,585
Total operating expenses	264,636	259,524	928,494	1,210,815
Income (loss) from operations	70,523	14,525	64,124	(412,257)
Interest income	6,785	6,030	23,687	29,103
Interest expense	(36,108)	(35,290)	(142,925)	(139,232)
Other income (expense), net	2,747	5,365	5,623	(1,900)
Other gains (losses), net	(40,596)	16,312	(96,273)	(2,141)
Total non-operating expenses, net	(67,172)	(7,583)	(209,888)	(114,170)
Income (loss) before equity in losses of equity-method investees	3,351	6,942	(145,764)	(526,427)
Equity in losses of equity-method investees, net	(700)	(1,855)	(4,169)	(30,327)
Income (loss) before change in accounting principle	2,651	5,087	(149,933)	(556,754)
Cumulative effect of change in accounting principle	-	-	801	(10,523)
Net income (loss)	$ 2,651	$ 5,087	$ (149,132)	$ (567,277)
Basic income (loss) per share:				
Prior to cumulative effect of change in accounting principle	$ 0.01	$ 0.01	$ (0.40)	$ (1.53)
Cumulative effect of change in accounting principle	-	-	0.01	(0.03)
	$ 0.01	$ 0.01	$ (0.39)	$ (1.56)
Diluted income (loss) per share:				
Prior to cumulative effect of change in accounting principle	$ 0.01	$ 0.01	$ (0.40)	$ (1.53)
Cumulative effect of change in accounting principle	-	-	0.01	(0.03)
	$ 0.01	$ 0.01	$ (0.39)	$ (1.56)
Shares used in computation of income (loss) per share:				
Basic	383,702	371,420	378,363	364,211
Diluted	407,056	384,045	378,363	364,211
(1) Components of stock-based compensation:				
Fulfillment	$ 6,614	$ 275	$ 12,126	$ 481
Marketing	1,820	320	4,239	690
Technology and content	18,621	1,015	35,926	2,723
General and administrative	8,625	327	16,636	743
	$ 35,680	$ 1,937	$ 68,927	$ 4,637

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Pro Forma Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended December 31, 2002			Three Months Ended December 31, 2001		
	As Reported (1)	Pro Forma Adjustments	Pro Forma	As Reported (1)	Pro Forma Adjustments	Pro Forma
Net sales	$ 1,428,610	$ -	$ 1,428,610	$ 1,115,171	$ -	$ 1,115,171
Cost of sales	1,093,451	-	1,093,451	841,122	-	841,122
Gross profit	335,159	-	335,159	274,049	-	274,049
Operating expenses:						
Fulfillment	126,559	-	126,559	109,019	-	109,019
Marketing	37,579	-	37,579	34,450	-	34,450
Technology and content	49,048	-	49,048	52,325	-	52,325
General and administrative	20,015	-	20,015	19,575	-	19,575
Stock-based compensation	35,680	(35,680)	-	1,937	(1,937)	-
Amortization of goodwill and other intangibles	913	(913)	-	37,537	(37,537)	-
Restructuring-related and other	(5,158)	5,158	-	4,681	(4,681)	-
Total operating expenses	264,636	(31,435)	233,201	259,524	(44,155)	215,369
Income from operations	70,523	31,435	101,958	14,525	44,155	58,680
Interest income	6,785	-	6,785	6,030	-	6,030
Interest expense	(36,108)	-	(36,108)	(35,290)	-	(35,290)
Other income (expense), net	2,747	-	2,747	5,365	-	5,365
Other gains (losses), net	(40,596)	40,596	-	16,312	(16,312)	-
Total non-operating expenses, net	(67,172)	40,596	(26,576)	(7,583)	(16,312)	(23,895)
Income before equity in losses of equity-method investees	3,351	72,031	75,382	6,942	27,843	34,785
Equity in losses of equity-method investees, net	(700)	700	-	(1,855)	1,855	-
Net income	$ 2,651	$ 72,731	$ 75,382	$ 5,087	$ 29,698	$ 34,785
Net cash provided by operating activities	$ 372,579		$ 372,579	$ 349,120		$ 349,120
Basic income per share	$ 0.01	$ 0.19	$ 0.20	$ 0.01	$ 0.08	$ 0.09
Diluted income per share	$ 0.01	$ 0.18	$ 0.19	$ 0.01	$ 0.08	$ 0.09
Shares used in computation of income per share						
Basic	383,702		383,702	371,420		371,420
Diluted	407,056		407,056	384,045		384,045

(1) In accordance with accounting principles generally accepted in the United States.

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Pro Forma Statements of Operations
(in thousands, except per share data)
(unaudited)

	Year Ended December 31, 2002			Year Ended December 31, 2001		
	As Reported (1)	Pro Forma Adjustments	Pro Forma	As Reported (1)	Pro Forma Adjustments	Pro Forma
Net sales	$ 3,932,936	$ -	$ 3,932,936	$ 3,122,433	$ -	$ 3,122,433
Cost of sales	2,940,318	-	2,940,318	2,323,875	-	2,323,875
Gross profit	992,618	-	992,618	798,558	-	798,558
Operating expenses:						
Fulfillment	392,467	-	392,467	374,250	-	374,250
Marketing	125,383	-	125,383	138,283	-	138,283
Technology and content	215,617	-	215,617	241,165	-	241,165
General and administrative	79,049	-	79,049	89,862	-	89,862
Stock-based compensation	68,927	(68,927)	-	4,637	(4,637)	-
Amortization of goodwill and other intangibles	5,478	(5,478)	-	181,033	(181,033)	-
Restructuring-related and other	41,573	(41,573)	-	181,585	(181,585)	-
Total operating expenses	928,494	(115,978)	812,516	1,210,815	(367,255)	843,560
Income (loss) from operations	64,124	115,978	180,102	(412,257)	367,255	(45,002)
Interest income	23,687	-	23,687	29,103	-	29,103
Interest expense	(142,925)	-	(142,925)	(139,232)	-	(139,232)
Other income (expense), net	5,623	-	5,623	(1,900)	-	(1,900)
Other gains (losses), net	(96,273)	96,273	-	(2,141)	2,141	-
Total non-operating expenses, net	(209,888)	96,273	(113,615)	(114,170)	2,141	(112,029)
Income (loss) before equity in losses of equity-method investees	(145,764)	212,251	66,487	(526,427)	369,396	(157,031)
Equity in losses of equity-method investees, net	(4,169)	4,169	-	(30,327)	30,327	-
Income (loss) before change in accounting principle	(149,933)	216,420	66,487	(556,754)	399,723	(157,031)
Cumulative effect of change in accounting principle	801	(801)	-	(10,523)	10,523	-
Net income (loss)	$ (149,132)	$ 215,619	$ 66,487	$ (567,277)	$ 410,246	$ (157,031)
Net cash provided by (used in) operating activities	$ 174,291		$ 174,291	$ (119,782)		$ (119,782)
Basic income (loss) per share:						
Prior to cumulative effect of change in accounting principle	$ (0.40)	$ 0.58	$ 0.18	$ (1.53)	$ 1.10	$ (0.43)
Cumulative effect of change in accounting principle	0.01	(0.01)	-	(0.03)	0.03	-
	$ (0.39)	$ 0.57	$ 0.18	$ (1.56)	$ 1.13	$ (0.43)
Diluted income (loss) per share:						
Prior to cumulative effect of change in accounting principle	$ (0.40)	$ 0.57	$ 0.17	$ (1.53)	$ 1.10	$ (0.43)
Cumulative effect of change in accounting principle	0.01	(0.01)	-	(0.03)	0.03	-
	$ (0.39)	$ 0.56	$ 0.17	$ (1.56)	$ 1.13	$ (0.43)
Shares used in computation of income (loss) per share						
Basic	378,363		378,363	364,211		364,211
Diluted	378,363		399,656	364,211		364,211

(1) In accordance with accounting principles generally accepted in the United States.

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Segment Information
(in thousands)
(unaudited)

Three Months Ended December 31, 2002

	North America					
	Books, Music and DVD/Video	Electronics, Tools and Kitchen	Total	International	Services	Consolidated
Net sales	$ 606,098	$ 261,881	$ 867,979	$ 461,418	$ 99,213	$ 1,428,610
Gross profit	164,276	38,895	203,171	91,988	40,000	335,159
Pro forma income (loss) from operations	72,805	(9,895)	62,910	19,992	19,056	101,958
Stock-based compensation						(35,680)
Amortization of other intangibles						(913)
Restructuring-related and other						5,158
Total non-operating expenses, net						(67,172)
Equity in losses of equity-method investees, net						(700)
Net income						$ 2,651
Segment highlights:						
Y / Y net sales growth	13%	21%	15%	76%	1%	28%
Y / Y gross profit growth	17%	12%	16%	67%	(10%)	22%
Gross margin	27%	15%	23%	20%	40%	23%
Pro forma operating margin	12%	(4%)	7%	4%	19%	7%
Net sales mix	43%	18%	61%	32%	7%	100%

Three Months Ended December 31, 2001

	North America					
	Books, Music and DVD/Video	Electronics, Tools and Kitchen	Total	International	Services	Consolidated
Net sales	$ 538,012	$ 216,614	$ 754,626	$ 262,432	$ 98,113	$ 1,115,171
Gross profit	139,812	34,678	174,490	55,028	44,531	274,049
Pro forma income (loss) from operations	63,938	(20,423)	43,515	(10,550)	25,715	58,680
Stock-based compensation						(1,937)
Amortization of goodwill and other intangibles						(37,537)
Restructuring-related and other						(4,681)
Total non-operating expenses, net						(7,583)
Equity in losses of equity-method investees, net						(1,855)
Net income						$ 5,087
Segment highlights:						
Y / Y net sales growth	5%	(2%)	3%	81%	3%	15%
Y / Y gross profit growth	1%	55%	8%	110%	21%	22%
Gross margin	26%	16%	23%	21%	45%	25%
Pro forma operating margin	12%	(9%)	6%	(4%)	26%	5%
Net sales mix	48%	19%	67%	24%	9%	100%

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Segment Information
(in thousands)
(unaudited)

	Year Ended December 31, 2002					
	North America					
	Books, Music and DVD/Video	Electronics, Tools and Kitchen	Total	International	Services	Consolidated
Net sales	$ 1,873,291	$ 645,031	$ 2,518,322	$ 1,168,935	$ 245,679	$ 3,932,936
Gross profit	527,542	89,863	617,405	249,089	126,124	992,618
Pro forma income (loss) from operations	211,363	(73,220)	138,143	(640)	42,599	180,102
Stock-based compensation						(68,927)
Amortization of other intangibles						(5,478)
Restructuring-related and other						(41,573)
Total non-operating expenses, net						(209,888)
Equity in losses of equity-method investees, net						(4,169)
Cumulative effect of change in accounting principle						801
Net loss						$ (149,132)
Segment highlights:						
Y / Y net sales growth	11%	18%	13%	77%	9%	26%
Y / Y gross profit growth	16%	15%	16%	77%	(0%)	24%
Gross margin	28%	14%	25%	21%	51%	25%
Pro forma operating margin	11%	(11%)	5%	(0%)	17%	5%
Net sales mix	48%	16%	64%	30%	6%	100%

	Year Ended December 31, 2001					
	North America					
	Books, Music and DVD/Video	Electronics, Tools and Kitchen	Total	International	Services	Consolidated
Net sales	$ 1,688,752	$ 547,190	$ 2,235,942	$ 661,374	$ 225,117	$ 3,122,433
Gross profit	453,129	78,384	531,513	140,606	126,439	798,558
Pro forma income (loss) from operations	156,753	(140,685)	16,068	(103,112)	42,042	(45,002)
Stock-based compensation						(4,637)
Amortization of goodwill and other intangibles						(181,033)
Restructuring-related and other						(181,585)
Total non-operating expenses, net						(114,170)
Equity in losses of equity-method investees, net						(30,327)
Cumulative effect of change in accounting principle						(10,523)
Net loss						$ (567,277)
Segment highlights:						
Y / Y net sales growth	(1%)	13%	2%	74%	13%	13%
Y / Y gross profit growth	9%	76%	15%	82%	9%	22%
Gross margin	27%	14%	24%	21%	56%	26%
Pro forma operating margin	9%	(26%)	1%	(16%)	19%	(1%)
Net sales mix	54%	18%	72%	21%	7%	100%

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Consolidated Balance Sheets
(in thousands, except per share data)
(unaudited)

	December 31, 2002	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 738,254	$ 540,282
Marketable securities	562,715	456,303
Inventories	202,425	143,722
Accounts receivable, net and other current assets	112,282	67,613
Total current assets	1,615,676	1,207,920
Fixed assets, net	239,398	271,751
Goodwill, net	70,811	45,367
Other intangibles, net	3,460	34,382
Other equity investments	15,442	28,359
Other assets	45,662	49,768
Total assets	$ 1,990,449	$ 1,637,547
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 618,128	$ 444,748
Accrued expenses and other current liabilities	314,935	305,064
Unearned revenue	47,916	87,978
Interest payable	71,661	68,632
Current portion of long-term debt and other	13,318	14,992
Total current liabilities	1,065,958	921,414
Long-term debt and other	2,277,305	2,156,133
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, $0.01 par value:		
Authorized shares -- 500,000		
Issued and outstanding shares -- none	-	-
Common stock, $0.01 par value:		
Authorized shares -- 5,000,000		
Issued and outstanding shares -- 387,906 and 373,218, respectively	3,879	3,732
Additional paid-in capital	1,649,946	1,462,769
Deferred stock-based compensation	(6,591)	(9,853)
Accumulated other comprehensive income (loss)	9,662	(36,070)
Accumulated deficit	(3,009,710)	(2,860,578)
Total stockholders' deficit	(1,352,814)	(1,440,000)
Total liabilities and stockholders' deficit	$ 1,990,449	$ 1,637,547

Note: The attached "Financial and Operational Highlights" are an integral part of the press release financial statements.

AMAZON.COM, INC.
Supplemental Financial Information and Business Metrics
(in millions, except per share data)
(unaudited)

	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Y / Y % Growth
Results of Operations						
Net sales	$ 1,115	$ 847	$ 806	$ 851	$ 1,429	28%
Net sales -- trailing twelve months (TTM)	$ 3,122	$ 3,269	$ 3,407	$ 3,619	$ 3,933	26%
Net sales shipped outside the U.S. -- % of net sales	29%	34%	34%	36%	37%	N/A
Gross profit	$ 274	$ 223	$ 218	$ 216	$ 335	22%
Gross margin -- % of net sales	24.6%	26.3%	27.1%	25.4%	23.5%	N/A
Gross profit -- TTM	$ 799	$ 839	$ 878	$ 932	$ 993	24%
Gross margin -- TTM % of net sales	25.6%	25.7%	25.8%	25.7%	25.2%	N/A
Fulfillment costs -- % of net sales	9.8%	10.6%	10.6%	10.6%	8.9%	N/A
Fulfillment costs -- TTM % of net sales	12.0%	11.2%	10.7%	10.4%	10.0%	N/A
Fulfillment costs -- % of net sales, excluding Services net sales	10.7%	11.3%	11.3%	11.2%	9.5%	N/A
Pro forma operating expenses	$ 215	$ 198	$ 192	$ 189	$ 233	8%
Pro forma operating expenses -- TTM	$ 844	$ 811	$ 795	$ 795	$ 813	(4%)
Pro forma operating income	$ 59	$ 25	$ 26	$ 27	$ 102	74%
Pro forma operating margin -- % of net sales	5.3%	2.9%	3.2%	3.2%	7.1%	N/A
Pro forma operating income (loss) -- TTM	$ (45)	$ 28	$ 82	$ 137	$ 180	N/A
Pro forma operating margin -- TTM % of net sales	(1.4%)	0.9%	2.4%	3.8%	4.6%	N/A
GAAP operating income (loss)	$ 15	$ 2	$ 1	$ (10)	$ 71	386%
GAAP operating margin -- % of net sales	1.3%	0.2%	0.2%	(1.1%)	4.9%	N/A
GAAP operating income (loss) -- TTM	$ (412)	$ (194)	$ (53)	$ 8	$ 64	N/A
GAAP operating margin -- TTM % of net sales	(13.2%)	(5.9%)	(1.5%)	0.2%	1.6%	N/A
Pro forma net income (loss)	$ 35	$ (5)	$ (4)	$ 0	$ 75	117%
Diluted pro forma net income (loss) per share	$ 0.09	$ (0.01)	$ (0.01)	$ 0.00	$ 0.19	104%
Pro forma net income (loss) -- TTM	$ (157)	$ (86)	$ (32)	$ 26	$ 66	N/A
GAAP net income (loss)	$ 5	$ (23)	$ (94)	$ (35)	$ 3	(48%)
GAAP net income (loss) per share	$ 0.01	$ (0.06)	$ (0.25)	$ (0.09)	$ 0.01	(51%)
GAAP net loss -- TTM	$ (567)	$ (356)	$ (281)	$ (147)	$ (149)	(74%)
North America Books, Music and DVD/Video (BMVD) segment:						
BMVD net sales	$ 538	$ 443	$ 412	$ 412	$ 606	13%
BMVD net sales -- TTM	$ 1,689	$ 1,722	$ 1,744	$ 1,805	$ 1,873	11%
BMVD gross profit	$ 140	$ 123	$ 124	$ 116	$ 164	17%
BMVD gross margin -- % of BMVD net sales	26.0%	27.8%	30.0%	28.2%	27.1%	N/A
BMVD pro forma operating profit	$ 64	$ 46	$ 49	$ 43	$ 73	14%
BMVD pro forma operating margin -- % of BMVD net sales	12%	10%	12%	10%	12%	N/A
North America Electronics, Tools and Kitchen (ETK) segment:						
ETK net sales	$ 217	$ 126	$ 128	$ 129	$ 262	21%
ETK net sales -- TTM	$ 547	$ 557	$ 574	$ 600	$ 645	18%
ETK gross profit	$ 35	$ 19	$ 19	$ 13	$ 39	12%
ETK gross margin -- % of ETK net sales	16.0%	15.4%	14.4%	10.1%	14.9%	N/A
ETK pro forma operating loss	$ (20)	$ (21)	$ (18)	$ (24)	$ (10)	(52%)
ETK pro forma operating margin -- % of ETK net sales	(9%)	(16%)	(14%)	(19%)	(4%)	N/A
International segment:						
International net sales	$ 262	$ 226	$ 218	$ 264	$ 461	76%
International net sales -- TTM	$ 661	$ 755	$ 845	$ 970	$ 1,169	77%
International gross profit	$ 55	$ 49	$ 47	$ 61	$ 92	67%
International gross margin -- % of International net sales	21.0%	21.7%	21.7%	23.0%	19.9%	N/A
International pro forma operating profit (loss)	$ (11)	$ (11)	$ (10)	$ 1	$ 20	N/A
International pro forma operating margin -- % of International net sales	(4%)	(5%)	(5%)	0%	4%	N/A
Services segment:						
Services net sales	$ 98	$ 53	$ 47	$ 47	$ 99	1%
Services net sales -- TTM	$ 225	$ 236	$ 244	$ 245	$ 246	9%
Services gross profit	$ 45	$ 32	$ 29	$ 26	$ 40	(10%)
Services gross margin -- % of Services net sales	45.4%	59.9%	60.9%	55.4%	40.3%	N/A
Services pro forma operating profit	$ 26	$ 10	$ 6	$ 8	$ 19	(26%)
Services pro forma operating margin -- % of Services net sales	26%	20%	12%	16%	19%	N/A

Note: The attached "Financial and Operational Highlights" are an integral part of this Supplemental Financial Information and Business Metrics.

AMAZON.COM, INC.
Supplemental Financial Information and Business Metrics
(in millions, except inventory turnover, accounts payable days, and employee data)
(unaudited)

	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Y / Y % Growth
Balance Sheet						
Cash and marketable securities	$ 997	$ 745	$ 824	$ 866	$ 1,301	31%
Inventory, net	$ 144	$ 139	$ 127	$ 152	$ 202	41%
Inventory -- % of TTM net sales	5%	4%	4%	4%	4%	N/A
Inventory turnover -- TTM	15.8	17.4	18.9	19.4	19.3	22%
Inventory turnover -- TTM, excluding Services cost of sales	15.2	16.7	18.1	18.6	18.5	22%
Fixed assets, net	$ 272	$ 256	$ 249	$ 239	$ 239	(12%)
Accounts payable days -- ending	49	45	46	50	52	7%
Cash Flows						
Operating cash flow -- TTM	$ (120)	$ 46	$ 48	$ 151	$ 174	N/A
Free cash flow (operating cash flow less purchases of fixed assets) -- TTM	$ (170)	$ 10	$ 16	$ 120	$ 135	N/A
Adjusted free cash flow (free cash flow less repayment of capital lease obligations) -- TTM	$ (190)	$ (9)	$ (3)	$ 103	$ 120	N/A
Other						
Common shares outstanding	373	375	380	381	388	4%
Stock-based employee awards outstanding	66	62	50	48	45	(32%)
Stock-based employee awards outstanding -- % of common shares outstanding	18%	17%	13%	13%	12%	N/A
Employees (full-time and part-time)	7,800	7,900	7,700	7,800	7,500	(4%)

Note: The attached "Financial and Operational Highlights" are an integral part of this Supplemental Financial Information and Business Metrics.

AMAZON.COM, INC.
Financial and Operational Highlights
(unaudited)

Results of Operations (all comparisons are with the equivalent period of the prior year)

Net Sales

- Net sales benefited from changes in foreign-currency exchange rates compared with the prior year by approximately $35 million in the fourth quarter 2002 ($3 million benefit to pro forma operating profit) and $47 million for fiscal 2002 ($4 million benefit to pro forma operating profit).
- Shipping revenue, which excludes commissions earned from Amazon Marketplace, was approximately $121 million in the fourth quarter, down from $125 million.

Gross Profit

- Shipping costs increased 11% to $151 million in the fourth quarter 2002 and shipping loss increased to approximately $30 million, from a loss of $11 million. We continue to measure our shipping results relative to their effect on our overall financial results, with the viewpoint that shipping promotions are an effective marketing tool. We expect to continue offering our customers free shipping options, which reduce shipping revenue as a percentage of sales and negatively affect gross margins.

Fulfillment

- Fulfillment costs represent those costs incurred in operating and staffing our fulfillment and customer service centers, credit card fees and bad debt costs. Fulfillment costs also include amounts paid to third-party cosourcers, who assist us in fulfillment and customer service operations. Certain Services-segment fulfillment-related costs incurred on behalf of third-party sellers are classified as cost of sales rather than fulfillment.

Stock-Based Compensation

- During the first quarter 2001, we offered a limited non-compulsory exchange of employee stock options, which results in variable accounting treatment for approximately 5 million stock options at December 31, 2002, including approximately 4 million options granted under the exchange offer that have an exercise price of $13.375 and expire in the third quarter 2003. Variable accounting treatment will result in unpredictable charges or credits dependent on the fluctuations in quoted prices for our common stock, which we are unable to forecast.
    - At December 31, 2002, cumulative compensation expense associated with variable accounting treatment, including $31 million in the fourth quarter 2002, was approximately $60 million—based on exercises to date and a quarter-end closing common stock price of $18.89—of which $40 million is associated with options exercised and no longer subject to future variability.
    - We have quantified the hypothetical effect on stock-based compensation associated with various quoted prices of our common stock using a sensitivity analysis for our outstanding stock options subject to variable accounting. We have provided this information to give additional insight into the volatility we will experience in our future results of operations to the extent that the quoted price for our common stock is above $13.375. This sensitivity analysis is not a prediction of future performance of the quoted prices of our common stock. Using the following hypothetical market prices of our common stock above $13.375 (including the actual expense associated with options exercised), our hypothetical cumulative compensation expense at December 31, 2002, and the difference between hypothetical cumulative compensation expense and actual cumulative compensation expense recorded at December 31, 2002, resulting from variable accounting treatment would have been as follows (in millions, except per share amounts):

Hypothetical Increase Over $13.375 per Share	Hypothetical Market Price per Share	Hypothetical Cumulative Compensation Expense	Hypothetical vs. Cumulative Compensation Expense December 31, 2002
15%	$15.38	$47	$ (13)
25%	$16.72	$52	$ (8)
50%	$20.06	$65	$ 4
75%	$23.41	$77	$ 17
100%	$26.75	$90	$ 29

Actual variable-accounting-related compensation could differ significantly from the above illustration in instances where options are exercised during a period at prices that differ from the closing stock price for the reporting period.

- Under our restricted stock unit program, which commenced in the fourth quarter 2002, we award restricted stock units as our primary vehicle for employee equity compensation. Restricted stock units are measured at fair value on the date of grant based on the number of shares granted and the quoted price of our common stock. Such value is recognized as an expense ratably over the corresponding service period. To the extent that restricted stock units are forfeited prior to vesting, the corresponding previously recognized expense is reversed as an offset to stock-based compensation.

Amortization of Goodwill and Other Intangibles

- As a result of our adoption of Statement of Financial Accounting Standards No. 141 and No. 142, during the first quarter 2002 we reclassified $25 million of other intangible assets (comprising only assembled workforce intangibles) into goodwill and discontinued the amortization of our goodwill.

Restructuring-Related and Other

- In January 2001, we announced and began implementation of our operational restructuring plan to reduce our operating costs, streamline our organizational structure, consolidate certain of our fulfillment and customer service operations and migrate a large portion of our technology infrastructure to a new operating platform. The restructuring plan is complete, although we may adjust our estimates prospectively if necessary.
- Corresponding with our January 2001 operational restructuring, in the fourth quarter 2002 we reached a termination agreement with the landlord of our leased fulfillment center facility in McDonough, Georgia. This agreement requires payments totaling $12 million, $4 million of which was paid in the fourth quarter 2002 ($8 million is payable first quarter 2003). As a result of this agreement, in the fourth quarter 2002 we adjusted our restructuring liability to reflect current estimates of restructuring-related cash flows and recorded a $5 million restructuring-related gain.
- Restructuring-related cash payments totaled $11 million in the fourth quarter 2002 (including the $4 million paid with respect to our McDonough facility), compared with $14 million. We anticipate the following net cash outflows associated with restructuring-related commitments (amounts due within 12 months are included within accrued expenses and other current liabilities and the remaining amounts within long-term debt and other on our balance sheet):

(in millions)	Leases (a)	Other	Total
Year Ending December 31,			
2003	21	4	25
2004	12	1	13
2005	5	—	5
2006	3	—	3
2007	3	—	3
Thereafter	8	—	8

Total estimated cash outflows	$52	$5	$57

(a) Net of anticipated sublease income of approximately $47 million (we have signed contractual sublease agreements covering $10 million in future payments) on gross lease obligations of $99 million.

Other Income (Expense), Net

- Other income, net includes net realized gains on sales of marketable securities.

Other Gains (Losses), Net

- Other losses, net primarily consist of a foreign-currency loss on the remeasurement of our 6.875% Euro-denominated convertible subordinated notes (PEACS) from Euros to U.S. dollars. We are unable to accurately forecast the effect on our future reported results associated with the remeasurement of the PEACS.

Income Taxes

- At December 31, 2002, we had net operating loss carryforwards (NOLs) of approximately $2.5 billion related to U.S. federal, state and foreign jurisdictions. Utilization of NOLs, which begin to expire at various times starting in 2010, may be subject to certain limitations. Approximately $1.2 billion of our NOLs relate to deductible stock-based compensation in excess of amounts recognized for financial reporting purposes—to the extent any of this amount is realized, the resulting benefit will be credited to stockholders' equity, rather than results of operations.

Net Income

- Although we reported fourth quarter 2002 positive net income of $3 million, we believe that this positive net income result should not be viewed as a material positive event and is not predictive of future trends for a variety of reasons. For example, excluding the $5 million restructuring-related gain associated with our McDonough, Georgia, fulfillment center lease-termination agreement, we would have reported a net loss in the fourth quarter 2002. Alternatively, excluding the $31 million stock-based compensation charge associated with variable accounting treatment on certain of our employee stock options that resulted from an increase in our stock price during the fourth quarter, or excluding the $38 million foreign-currency loss on the remeasurement of our PEACS from Euros to U.S. dollars, we would have reported more net income in the fourth quarter 2002.
- We are unable to forecast the effect on our future reported results of certain items, including the stock-based compensation charges or credits associated with variable accounting treatment on certain of our employee stock options that will result from fluctuations in our stock price, and the gain or loss associated with our PEACS that will result from fluctuations in foreign-currency rates.

Financial Condition

- Our marketable securities, at estimated fair value, consist of the following at December 31, 2002 (in millions):

Asset-backed and agency securities	$317
Treasury notes and bonds	175
Corporate notes and bonds	43
Certificates of deposit	22
Commercial paper, short-term obligations and equity securities	6
	$563

- At December 31, 2002, we have pledged approximately $121 million of our marketable securities as collateral for certain contractual obligations, compared with $167 million. Amounts pledged for standby letters of credit that guarantee certain contractual obligations, primarily property leases, were $58 million; $23 million is pledged for a swap agreement that hedges the foreign-exchange-rate risk on a portion of our PEACS; and $40 million is pledged for certain of our real estate lease agreements. The amount of marketable securities we are required to pledge pursuant to the swap agreement fluctuates with the fair market value of the swap obligation.

- Long-term debt primarily includes the following (in millions):

	Principal at Maturity	Interest Rate	Principal Due Date
Senior Discount Notes	$ 264(a)	10.000%	May 2008
Convertible Subordinated Notes	1,250	4.750%	February 2009
PEACS	725(b)	6.875%	February 2010
Total long-term debt	$2,239		

(a) $256 million at December 31, 2002
(b) 690 million Euros

Certain Definitions and Other

- Our segment reporting includes four segments: North America Books, Music and DVD/Video ("BMVD"); North America Electronics, Tools and Kitchen ("ETK"); International; and Services. Stock-based compensation, amortization of goodwill and other intangibles, and restructuring-related and other costs are not allocated to segment results. All other centrally incurred operating costs are fully allocated to segment results. There are no internal transactions between the Company's reporting segments.
- The BMVD segment includes revenues, direct costs and cost allocations primarily associated with retail sales from www.amazon.com and www.amazon.ca for books, music, DVDs, video products and magazine subscription commissions. This segment also includes revenues from stores offering these products through our Syndicated Stores Program, such as www.borders.com, and commissions and other amounts earned from sales of these products offered by third-party sellers (businesses and individuals) under our Amazon Marketplace (such as a used out-of-print book) and Merchant@amazon.com Programs.
- The ETK segment includes revenues, direct costs and cost allocations primarily associated with www.amazon.com retail sales of electronics, home improvement and home and garden products, as well as our catalog sales of toys and tools. This segment also includes commissions and other amounts earned from sales of these products offered by third-party sellers under our Amazon Marketplace and Merchant@amazon.com Programs.
- The International segment includes all revenues, direct costs and cost allocations associated with the retail sales of our internationally focused U.K., German, French and Japanese Web sites—www.amazon.co.uk, www.amazon.de, www.amazon.fr and www.amazon.co.jp. This segment also includes commissions and other amounts earned from sales of products offered by third-party sellers under our Amazon Marketplace and Merchant@amazon.com Programs and revenues from stores offering products through our Syndicated Stores Program.
- The Services segment includes revenues, direct costs and cost allocations associated with certain of our commercial agreements, including the Merchant Program, such as www.target.com, and the Merchant@amazon.com Program to the extent full product categories are not also offered by our online retail stores, such as Toys and Games and Apparel and Accessories. This segment also includes our technology alliance with America Online and miscellaneous marketing, promotional and other agreements.
- All references to customers mean customer accounts, which are unique e-mail addresses, established either when a customer's initial order is shipped or when a customer orders from certain third-party sellers on our Web sites. Customer accounts include customers of Amazon Marketplace, Auctions and zShops and our Merchant@amazon.com and Syndicated Stores Programs, but exclude Merchant Program customers, Amazon.com Payments customers, our catalog customers and the customers of select companies with whom we have a technology alliance or marketing and promotional relationships. A customer is considered active upon placing an order.
- All references to units mean units sold (net of returns and cancellations) by us and third-party sellers at Amazon.com domains worldwide—such as www.amazon.com, www.amazon.ca, www.amazon.fr, www.amazon.co.uk, www.amazon.de and www.amazon.co.jp—and at Syndicated Stores domains, as well as Amazon.com-owned items sold at non-Amazon.com domains, such as books, music and DVD/video items ordered from Amazon.com's store at www.target.com. Units do not include Amazon.com gift certificates.