

AMAZON.COM, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31,	
	2001	2000
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 540,282	\$ 822,435
Marketable securities	456,303	278,087
Inventories	143,722	174,563
Prepaid expenses and other current assets	67,613	86,044
Total current assets	1,207,920	1,361,129
Fixed assets, net	271,751	366,416
Goodwill, net	45,367	158,990
Other intangibles, net	34,382	96,335
Investments in equity-method investees	10,387	52,073
Other equity investments	17,972	40,177
Other assets	49,768	60,049
Total assets	\$ 1,637,547	\$ 2,135,169
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable	\$ 444,748	\$ 485,383
Accrued expenses and other current liabilities	305,064	272,683
Unearned revenue	87,978	131,117
Interest payable	68,632	69,196
Current portion of long-term debt and other	14,992	16,577
Total current liabilities	921,414	974,956
Long-term debt and other	2,156,133	2,127,464
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—373,218 and 357,140 shares, respectively	3,732	3,571
Additional paid-in capital	1,462,769	1,338,303
Deferred stock-based compensation	(9,853)	(13,448)
Accumulated other comprehensive loss	(36,070)	(2,376)
Accumulated deficit	(2,860,578)	(2,293,301)
Total stockholders' deficit	(1,440,000)	(967,251)
Total liabilities and stockholders' deficit	\$ 1,637,547	\$ 2,135,169

See accompanying notes to consolidated financial statements.

AMAZON.COM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Years Ended December 31,		
	2001	2000	1999
Net sales	\$3,122,433	\$ 2,761,983	\$1,639,839
Cost of sales	<u>2,323,875</u>	<u>2,106,206</u>	<u>1,349,194</u>
Gross profit	798,558	655,777	290,645
Operating expenses:			
Fulfillment	374,250	414,509	237,312
Marketing	138,283	179,980	175,838
Technology and content	241,165	269,326	159,722
General and administrative	89,862	108,962	70,144
Stock-based compensation	4,637	24,797	30,618
Amortization of goodwill and other intangibles	181,033	321,772	214,694
Restructuring-related and other	<u>181,585</u>	<u>200,311</u>	<u>8,072</u>
Total operating expenses	<u>1,210,815</u>	<u>1,519,657</u>	<u>896,400</u>
Loss from operations	(412,257)	(863,880)	(605,755)
Interest income	29,103	40,821	45,451
Interest expense	(139,232)	(130,921)	(84,566)
Other income (expense), net	(1,900)	(10,058)	1,671
Other gains (losses), net	<u>(2,141)</u>	<u>(142,639)</u>	<u>—</u>
Net interest expense and other	<u>(114,170)</u>	<u>(242,797)</u>	<u>(37,444)</u>
Loss before equity in losses of equity-method investees	(526,427)	(1,106,677)	(643,199)
Equity in losses of equity-method investees, net	<u>(30,327)</u>	<u>(304,596)</u>	<u>(76,769)</u>
Loss before change in accounting principle	\$ (556,754)	\$ (1,411,273)	\$ (719,968)
Cumulative effect of change in accounting principle	<u>(10,523)</u>	<u>—</u>	<u>—</u>
Net loss	<u>\$ (567,277)</u>	<u>\$ (1,411,273)</u>	<u>\$ (719,968)</u>
Basic and diluted loss per share:			
Prior to cumulative effect of change in accounting principle ...	\$ (1.53)	\$ (4.02)	\$ (2.20)
Cumulative effect of change in accounting principle	<u>(0.03)</u>	<u>—</u>	<u>—</u>
	<u>\$ (1.56)</u>	<u>\$ (4.02)</u>	<u>\$ (2.20)</u>
Shares used in computation of basic and diluted loss per share	<u>364,211</u>	<u>350,873</u>	<u>326,753</u>

See accompanying notes to consolidated financial statements.

AMAZON.COM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2001	2000	1999
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 822,435	\$ 133,309	\$ 71,583
OPERATING ACTIVITIES:			
Net loss	(567,277)	(1,411,273)	(719,968)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of fixed assets and other amortization	84,709	84,460	36,806
Stock-based compensation	4,637	24,797	30,618
Equity in losses of equity-method investees, net	30,327	304,596	76,769
Amortization of goodwill and other intangibles	181,033	321,772	214,694
Non-cash restructuring-related and other	73,293	200,311	8,072
Loss (gain) on sale of marketable securities, net	(1,335)	(280)	8,688
Other losses (gains), net	2,141	142,639	—
Non-cash interest expense and other	26,629	24,766	29,171
Cumulative effect of change in accounting principle	10,523	—	—
Changes in operating assets and liabilities:			
Inventories	30,628	46,083	(172,069)
Prepaid expenses and other current assets	20,732	(8,585)	(54,927)
Accounts payable	(44,438)	22,357	330,166
Accrued expenses and other current liabilities	50,031	93,967	95,839
Unearned revenue	114,738	97,818	6,225
Amortization of previously unearned revenue	(135,808)	(108,211)	(5,837)
Interest payable	(345)	34,341	24,878
Net cash used in operating activities	(119,782)	(130,442)	(90,875)
INVESTING ACTIVITIES:			
Sales and maturities of marketable securities	370,377	545,724	2,064,101
Purchases of marketable securities	(567,152)	(184,455)	(2,359,398)
Purchases of fixed assets, including internal use software and web-site development	(50,321)	(134,758)	(287,055)
Investments in equity-method investees and other investments	(6,198)	(62,533)	(369,607)
Net cash provided by (used in) investing activities	(253,294)	163,978	(951,959)
FINANCING ACTIVITIES:			
Proceeds from exercise of stock options and other	16,625	44,697	64,469
Proceeds from issuance of common stock, net of issuance costs	99,831	—	—
Proceeds from long-term debt and other	10,000	681,499	1,263,639
Repayment of long-term debt and other	(19,575)	(16,927)	(188,886)
Financing costs	—	(16,122)	(35,151)
Net cash provided by financing activities	106,881	693,147	1,104,071
Effect of exchange-rate changes on cash and cash equivalents	(15,958)	(37,557)	489
Net increase (decrease) in cash and cash equivalents	(282,153)	689,126	61,726
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 540,282	\$ 822,435	\$ 133,309
SUPPLEMENTAL CASH FLOW INFORMATION:			
Fixed assets acquired under capital leases	\$ 4,597	\$ 4,459	\$ 25,850
Fixed assets acquired under financing agreements	1,000	4,844	5,608
Equity securities received for commercial agreements	331	106,848	54,402
Stock issued in connection with business acquisitions and minority investments	5,000	32,130	774,409
Cash paid for interest	112,184	67,252	30,526

See accompanying notes to consolidated financial statements.

AMAZON.COM, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(in thousands)

	Common Stock Shares	Amount	Additional Paid-In Capital	Deferred Stock-Based Compensation	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance at December 31, 1998	318,534	\$3,186	\$ 297,438	\$ (1,625)	\$ 1,806	\$ (162,060)	\$ 138,745
Net loss	—	—	—	—	—	(719,968)	(719,968)
Foreign currency translation gains	—	—	—	—	490	—	490
Change in unrealized gain (loss) on available-for-sale securities, net	—	—	—	—	(4,005)	—	(4,005)
Comprehensive loss	—	—	—	—	—	—	(723,483)
Issuance of capital stock, net of issuance costs	10,496	105	743,169	—	—	—	743,274
Exercise of common stock options, net	16,125	161	67,969	—	—	—	68,130
Public offering of equity-method investee	—	—	13,787	—	—	—	13,787
Note receivable for common stock	—	—	(72)	—	—	—	(72)
Deferred stock-based compensation, net of adjustments	—	—	72,078	(72,078)	—	—	—
Amortization of deferred stock-based compensation	—	—	—	25,897	—	—	25,897
Balance at December 31, 1999	345,155	3,452	1,194,369	(47,806)	(1,709)	(882,028)	266,278
Net loss	—	—	—	—	—	(1,411,273)	(1,411,273)
Foreign currency translation losses	—	—	—	—	(364)	—	(364)
Change in unrealized gain (loss) on available-for-sale securities, net	—	—	—	—	(303)	—	(303)
Comprehensive loss	—	—	—	—	—	—	(1,411,940)
Issuance of capital stock, net of issuance costs	866	8	30,977	—	—	—	30,985
Exercise of common stock options, net	11,119	111	41,995	—	—	—	42,106
Public offering of equity-method investee	—	—	76,898	—	—	—	76,898
Note receivable for common stock	—	—	27	—	—	—	27
Deferred stock-based compensation, net of adjustments	—	—	(5,963)	2,528	—	—	(3,435)
Amortization of deferred stock-based compensation	—	—	—	31,830	—	—	31,830
Balance at December 31, 2000	357,140	3,571	1,338,303	(13,448)	(2,376)	(2,293,301)	(967,251)
Net loss	—	—	—	—	—	(567,277)	(567,277)
Foreign currency translation losses	—	—	—	—	(1,257)	—	(1,257)
Change in unrealized gain (loss) on available-for-sale securities, net	—	—	—	—	7,005	—	7,005
Net Unrealized losses on Euro-based currency swap	—	—	—	—	(17,337)	—	(17,337)
Reclassification of currency gains on 6.875% PEACS	—	—	—	—	(9,811)	—	(9,811)
Cumulative effect of change in accounting principle	—	—	—	—	(12,294)	—	(12,294)
Comprehensive loss	—	—	—	—	—	—	(600,971)
Issuance of capital stock, net of issuance costs	8,989	90	98,716	—	—	—	98,806
Exercise of common stock options, net	6,089	61	14,989	—	—	—	15,050
Repayments of note receivable for common stock	—	—	1,130	—	—	—	1,130
Deferred stock-based compensation, net of adjustments	1,000	10	9,631	(4,797)	—	—	4,844
Amortization of deferred stock-based compensation	—	—	—	8,392	—	—	8,392
Balance at December 31, 2001	373,218	\$3,732	\$1,462,769	\$ (9,853)	\$(36,070)	\$(2,860,578)	\$(1,440,000)

See accompanying notes to consolidated financial statements.