



## **Amazon.com announces financial results for third quarter 1998**

October 28, 1998

28 October 1998. Amazon.com Becomes No. 1 Online Music Retailer with Sales of \$14.4 Million; First Quarter to Add More Than 1 Million Customers

Amazon.com, Inc. (NASDAQ: AMZN) today announced financial results for the third quarter of 1998. Net sales were \$153.7 million, an increase of 306 percent over net sales of \$37.9 million for the third quarter of 1997. Amazon.com also became the No. 1 online music retailer in its first full quarter of music sales.

Amazon.com reported a third-quarter pro forma operating loss of \$21.0 million, or 14 percent of net sales, compared to an operating loss of \$10.3 million, or 27 percent of net sales, in the prior year. Pro forma net loss of \$24.7 million, or \$0.49 per share, compared with a net loss of \$9.6 million, or \$0.21 per share, in the third quarter of 1997. On a GAAP basis, reported third-quarter net loss was \$0.90 per share and included \$20.5 million of merger- and acquisition-related costs.

Amazon.com announced that cumulative customer accounts increased by over 1.2 million during the third quarter to nearly 4.5 million at September 30, 1998, an increase of over 377 percent from 940,000 customer accounts at September 30, 1997. Repeat customer orders represented more than 64 percent of orders placed during the quarter ended September 30, 1998.

"We are very grateful to our customers for choosing Amazon.com as their online music store so quickly," said Jeff Bezos, Amazon.com founder and chief executive officer. "We work hard to earn the confidence of our customers. We're known for service, ease of use, selection, and everyday low prices, and these are the reasons our customers have made us the leading online music retailer. Though pleased with these results, we know our growth initiatives will continue to require aggressive investment and entail significant execution challenges."

### **Recent Highlights**

#### **Amazon.com Formally Enters European Book Market**

In October Amazon.com formally entered the European market with the launch of new stores in Germany and the United Kingdom. Amazon.de and Amazon.co.uk replaced sites once operated by Telebook in Germany and Bookpages in the U.K. Amazon.com purchased both companies in April. For the first time on a local basis, the stores make available to Europeans a vast selection of titles, guaranteed safety of transactions, unparalleled convenience, and electronic gift certificates for worry-free gift giving. The two sites will significantly reduce the cost and shipping time for thousands of U.S. titles, thanks to a large supply of popular U.S. titles ready for immediate shipment from the U.K. and Germany.

Each store offers speedy delivery and an array of personalization features to better serve book buyers, including instant recommendations.

European orders have more than doubled since the formal relaunch of the Amazon.de and Amazon.co.uk stores.

Amazon.co.uk has announced exclusive book-supply deals with The Electronic Telegraph and Virgin Net, Virgin's online service. The company has also announced a six-month television sponsorship with The Sky News Book Show. Both Excite.co.uk and Yahoo! UK have redirected their European traffic (excluding Germany) to Amazon.co.uk in a move to further improve the customer experience.

"Not only are we offering lower prices and faster delivery to UK and European customers, but we also have our own editorial team writing and commissioning local content and reviews for British books," said Simon Murdoch, Managing Director of Amazon.co.uk.

Amazon.co.uk is headquartered and has a distribution center in Slough, England. The store carries a complete catalog of over 1.2 million titles from U.K. publishers, along with fast and easy access to over 200,000 U.S. titles

You can find these sites at [www.amazon.de](http://www.amazon.de) and [www.amazon.co.uk](http://www.amazon.co.uk).

#### **Amazon.com Becomes the #1 Online Music Store, Adds Classical**

Third-quarter music sales were \$14.4 million, the first full quarter following the June launch of Amazon.com's music store. Amazon.com exited the quarter as the leading online retailer of music less than four months after its launch. Customer response was strong, augmented by the September launch of its classical-music store.

#### **Amazon.com Acquisitions of PlanetAll and Junglee**

In August Amazon.com acquired two companies: PlanetAll and Junglee. PlanetAll provides a unique Web-based address book, calendar, and reminder service. Junglee is the leading provider of advanced Web-based virtual database (VDB) technology that can help shoppers find and discover products on the Internet. Together, these acquisitions are intended to speed Amazon.com's enhancement of the e-commerce experience for its customers.

#### **About Amazon.com, Inc.**

Amazon.com, Inc., Earth's biggest book and music store (NASDAQ: AMZN), opened its virtual doors on the World Wide Web in July 1995. Today, the Amazon.com store offers more than 3 million books, CDs, audiobooks, DVDs, computer games, and other titles, plus easy-to-use search-and-locate

features, secure credit-card payment, personalized recommendations, streamlined ordering through 1-Click(SM) technology, and direct shipping. In addition to its U.S.-based bookstore, www.amazon.com, Amazon.com operates two European bookstore Web sites: www.amazon.co.uk in the United Kingdom and www.amazon.de in Germany. Amazon.com also operates PlanetAll (www.planetall.com), a Web-based address book, calendar, and reminder service, and the Internet Movie Database (www.imdb.com), the Web's comprehensive and authoritative source of information on more than 150,000 movies and entertainment programs and 500,000 cast and crew members dating from the birth of film in 1892 to the present.

This announcement contains forward-looking statements that involve risks and uncertainties that include, among others, Amazon.com's limited operating history, anticipated losses, the unpredictability of its future revenues, competition, risks associated with system development and operation risks, management of potential growth, and risks of new business areas, international expansion, business combinations, and strategic alliances. More information about factors that potentially could affect Amazon.com's financial results is included in the company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 1997, as amended by the Form 8-K filed September 11, 1998, quarterly reports on Form 10-Q for the quarters ended March 31, 1998 and June 30, 1998.

#### **Note on Financial Presentation**

GAAP financial results are prepared in accordance with generally accepted accounting principles. All of the charges associated with Amazon.com's merger and acquisition activities have been included in the single-income-statement line item titled "merger- and acquisition-related costs" in order to enhance the informational value of the financials and to present the most comparable classifications in the other line items. Among items included in merger- and acquisition-related costs are one-time merger-related costs and purchase-price elements including amortization of goodwill and other purchased intangibles. Pro forma financial results exclude these merger- and acquisition-related costs.

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