



Amazon.com announces financial results for fourth quarter 1998

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26 January 1999. *Record holiday season pushes customer total past 6.2 million; Leadership in books and music extended to video, UK, Germany; Expansion areas grow to 25% of sales*

Amazon.com, Inc. (NASDAQ: AMZN) today announced financial results for the fourth quarter of 1998 and for the 1998 fiscal year. Net sales for the fourth quarter were \$252.9 million, an increase of 283 percent over net sales of \$66.0 million for the fourth quarter of 1997. Based on fourth quarter sales, Amazon.com has achieved a \$1 billion annualised sales level three and one-half years after opening for business.

Amazon.com reported a fourth quarter pro forma operating loss of \$17.8 million, or 7 percent of net sales, compared to an operating loss of \$11.3 million, or 17 percent of net sales, in the fourth quarter of 1997. Fourth quarter pro forma net loss of \$22.2 million, or \$0.14 per share, compared with a net loss of \$10.8 million, or \$0.08 per share, in the fourth quarter of 1997. On a GAAP basis, reported fourth quarter net loss was \$46.4 million, or \$0.30 per share, and included \$24.2 million of merger and acquisition-related costs.

Net sales for fiscal 1998 were \$610.0 million, a 313 percent increase over net sales of \$147.8 million reported for fiscal 1997. Pro forma net loss for fiscal 1998 was \$74.4 million, or \$0.50 per share, compared with a net loss in fiscal 1997 of \$31.0 million, or \$0.24 per share. On a GAAP basis, reported net loss for fiscal 1998 was \$124.5 million, or \$0.84 per share, and included \$50.2 million of merger and acquisition-related costs.

Amazon.com announced that cumulative customer accounts increased by more than 1.7 million during the fourth quarter to over 6.2 million at December 31, 1998, an increase of over 300 percent from 1.5 million customer accounts at December 31, 1997. Repeat customer orders represented more than 64 percent of orders placed on Amazon.com during the quarter ended December 31, 1998.

During the fourth quarter of 1998, Amazon.com, the No. 1 online book retailer and No. 1 online music retailer, extended its leadership position to the video, UK and German markets. Expansion area highlights include:

- Music sales grew to \$33.1 million, a 130 percent increase over sales of \$14.4 million in the third quarter of 1998;
- Combined sales in the UK and Germany nearly quadrupled over the third quarter, establishing Amazon.co.uk and Amazon.de as the No. 1 online booksellers in their markets;
- Video sales were strong following the store's opening on November 17.

Combined, expansion areas accounted for 25 percent of consolidated fourth quarter sales.

"We have one strategy at Amazon.com-provide the customer with the best shopping experience," said Amazon.com founder and CEO Jeff Bezos. "We're extremely grateful to our customers for an incredible holiday season and an exceptional year."

Bezos noted that because customer response during the holidays was so strong, the company has committed to a major expansion plan. "In 1999, we intend to build out a significant distribution infrastructure. We must ensure that we can support all the sales that customers demand, with speedy access to a deep product inventory," Bezos added. "We will also continue to enhance the scope and quality of the products and services that we provide to our customers. Amazon.com is still a small and young company relative to many offline retailers, and we must ensure that we build the strongest customer relationships possible during this critical period. In 1999, we expect to invest even more aggressively than we have in the past. Our goal is nothing short of building the world's most customer-centric company."

Recent Highlights

Holiday Shopping Season Sets Records

Shoppers seeking to save time and money, avoid holiday shopping hassles, and select ideal holiday gifts drove strong sales across all product lines and produced records on a number of key measures. Amazon.com began the holiday shopping season on November 17 and from then until December 31:

- More than 1 million new customers shopped with Amazon.com for the first time;
- Amazon.com shipped more than 7.5 million items-more than the company shipped during the entire year of 1997;
- The company experienced peak shipping of more than \$6 million in one day;
- Holiday sales quadrupled from the 1997 holiday season.

Even Greater Selection

With the addition of music CDs, videos, and an ever-growing selection of book titles, Amazon.com reached a total of 4.7 million titles for sale during the fourth quarter of 1998.

Amazon.com Extends Leadership in European Market

Amazon.com extended its leadership in the European market in October with the launch of its stores in Germany and the UK. For the first time on a local basis, the stores made available to Europeans a vast selection of titles, guaranteed safety of transactions, unparalleled convenience, and electronic gift certificates for worry-free gift giving.

Customer response to the launches drove a near-quadrupling of combined sales from the sites over the preceding quarter, extending Amazon.com's position as the leading online bookseller in both the UK and Germany.

Amazon.de is headquartered and has a distribution centre in Regensburg, Germany, with editorial and marketing offices in Munich. The store initially features over 400,000 titles from German publishers, as well as fast and easy access to nearly 500,000 US titles. Amazon.co.uk is headquartered and has a distribution center in Slough, England. The store carries a complete catalogue of over 1.2 million titles from UK publishers, along with fast and easy access to over 200,000 US titles. The stores are located at www.amazon.de and www.amazon.co.uk.

Fourth quarter highlights for Amazon.co.uk included signing exclusive alliances with the award winning sites of Associated New Media (www.thisislondon.co.uk; www.ukplus.co.uk and www.soccernet.com), and EMAP Metro Online sites: Empire; FHM and Q magazine. Amazon.co.uk also announced that it would sponsor News First, the UK's No. 1 rolling news and preview ticker produced by The Times/Sunday Times Web site.

Simon Murdoch, Managing Director of Amazon.co.uk commented: "Thank you to all of our customers who have helped us reach the UK's No. 1 position in less than three months since launch. We will continue to enhance Amazon.co.uk to provide our customers the best possible shopping experience in the UK."

Opening of Video and Gift Stores

Amazon.com launched its video store on November 17 with more than 60,000 VHS and more than 2,000 digital video disc titles. At the same time, it opened a holiday gift store that allowed shoppers to meet more of their gift-buying needs in one convenient online shopping experience. E-mail gift certificate sales were especially strong in the closing days of the holiday season, thanks to instant delivery to anywhere in the world.

New Distribution Center to Open in Nevada

As a next step in its expansion plan, Amazon.com obtained a highly mechanised distribution facility in Fernley, Nevada. The Nevada location will reduce standard shipping times to key markets in the western U.S. by a full day. Further, the 322,560 square-foot facility will allow the company to significantly increase the number of books, CDs, and videos kept on hand for immediate shipment to customers. The result is that customers in such places as Los Angeles, San Francisco, San Diego, Phoenix, and Houston will receive their orders much faster, thanks to greater availability, faster processing, and shorter delivery times. The distribution centre will be leased by Amazon.com and is expected to begin operations during the first half of 1999.

Continued Expansion of Online Partnerships

Amazon.com continued to expand its presence on the World Wide Web through its growing ties with other Web sites. The company's groundbreaking Associates programme, in which Web site operators receive referral fees for sales generated by their sites, has now added over 200,000 Associates. With the addition of new products in 1998, Associates can now generate revenue by selling a broader array of merchandise than other online retailers offer through similar programmes.

In addition, the company secured its presence on several high-traffic sites, including marketing arrangements with Microsoft and CBS SportsLine. Amazon.com became CBS SportsLine's online retail partner for books, video and music in a newly launched, co-branded store on the CBS SportsLine site. The company also signed an agreement making Amazon.com the Premier Music Merchant on Microsoft's MSN Shopping Channel, the MSN.COM portal page, and other selected properties in the MSN network of sites.

Advantage Expands to Include Music

Amazon.com broadened its popular Advantage programme to include music, continuing to extend the benefits of online retailing for both consumers and artists. The Advantage programme offers a compelling solution to the biggest problem faced by independent artists, bands, and labels: securing widespread distribution of their CDs. Amazon.com's Advantage programme for music makes it easy for independent artists, bands, and labels to sell their CDs to Amazon.com's customers worldwide. Advantage for music, a free programme, now allows them to sell their CDs at the Amazon.com music store and to enjoy the same level of exposure on the Amazon.com Web site as CDs from major artists and labels.

3-for-1 Stock Split and Addition to NASDAQ 100

On January 4, 1999, Amazon.com effected a 3-for-1 split of its common stock. The share and per share amounts included in this release are presented on a post-split basis. In addition, effective with the market open on December 21, 1998, Amazon.com was added to the Nasdaq-100 Index®.

About Amazon.com, Inc.

Amazon.com, Inc., the Internet's No. 1 music and No. 1 book retailer, opened its virtual doors on the World Wide Web in July 1995. Today, the Amazon.com store has expanded to offer more than 4.7 million book, music CD, video, DVD, computer game, and other titles, plus secure credit card payment, personalised recommendations and streamlined ordering through 1-Click(SM) technology. Amazon.com operates two international Web sites: www.amazon.co.uk in the UK. and www.amazon.de in Germany. Amazon.com also operates PlanetAll (www.planetall.com), a Web-based address book, calendar, and reminder service. It also operates 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 crewmembers 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, unpredictability of future revenues, potential fluctuations in quarterly operating results, seasonality, 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 Amazon.com'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, and quarterly reports on Form 10-Q for the quarters ended March 31, 1998, June 30, 1998, and September 30, 1998.

Note on Financial Presentation

Financial results are prepared in accordance with US generally accepted accounting principles. All of the charges associated with Amazon.com's merger and acquisition activities have been included in "merger and acquisition-related costs" in the accompanying financial statements in order to enhance their informational value 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 amortisation of goodwill and other purchased intangibles. Pro forma financial results exclude these merger and acquisition-related costs.

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