

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

	Year Ended December 31,		
	2007	2006	2005
Net sales	\$14,835	\$10,711	\$8,490
Cost of sales	<u>11,482</u>	<u>8,255</u>	<u>6,451</u>
Gross profit	3,353	2,456	2,039
Operating expenses (1):			
Fulfillment	1,292	937	745
Marketing	344	263	198
Technology and content	818	662	451
General and administrative	235	195	166
Other operating expense, net	9	10	47
Total operating expenses	<u>2,698</u>	<u>2,067</u>	<u>1,607</u>
Income from operations	655	389	432
Interest income	90	59	44
Interest expense	(77)	(78)	(92)
Other income (expense), net	(1)	(4)	2
Remeasurements and other	(7)	11	42
Total non-operating income (expense)	<u>5</u>	<u>(12)</u>	<u>(4)</u>
Income before income taxes	660	377	428
Provision for income taxes	184	187	95
Income before cumulative effect of change in accounting principle	476	190	333
Cumulative effect of change in accounting principle	—	—	26
Net income	<u>\$ 476</u>	<u>\$ 190</u>	<u>\$ 359</u>
Basic earnings per share:			
Prior to cumulative effect of change in accounting principle	\$ 1.15	\$ 0.46	\$ 0.81
Cumulative effect of change in accounting principle	—	—	0.06
	<u>\$ 1.15</u>	<u>\$ 0.46</u>	<u>\$ 0.87</u>
Diluted earnings per share:			
Prior to cumulative effect of change in accounting principle	\$ 1.12	\$ 0.45	\$ 0.78
Cumulative effect of change in accounting principle	—	—	0.06
	<u>\$ 1.12</u>	<u>\$ 0.45</u>	<u>\$ 0.84</u>
Weighted average shares used in computation of earnings per share:			
Basic	<u>413</u>	<u>416</u>	<u>412</u>
Diluted	<u>424</u>	<u>424</u>	<u>426</u>

(1) Includes stock-based compensation as follows:

Fulfillment	\$ 39	\$ 24	\$ 16
Marketing	8	4	6
Technology and content	103	54	45
General and administrative	35	19	20

See accompanying notes to consolidated financial statements.