

AMAZON COM INC  
Form 10-Q  
July 25, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File No. 000-22513

**Amazon.com, Inc.**

(Exact Name of Registrant as Specified in its Charter)

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**Delaware** **91-1646860**  
(State or Other Jurisdiction of (I.R.S. Employer  
**Incorporation or Organization)** **Identification No.)**  
**1200 12th Avenue South, Suite 1200, Seattle, Washington 98144-2734**  
**(206) 266-1000**  
(Address and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

425,921,111 shares of common stock, par value \$0.01 per share, outstanding as of July 17, 2008

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**AMAZON.COM, INC.**

**FORM 10-Q**

**For the Quarterly Period Ended June 30, 2008**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****AMAZON.COM, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in millions)****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	2008	2007	2008	2007	2008	2007
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 1,496	\$ 748	\$ 2,539	\$ 1,022	\$ 1,004	\$ 683
<b>OPERATING ACTIVITIES:</b>						
Net income	158	78	301	189	588	306
Adjustments to reconcile net income to net cash from operating activities:						
Depreciation of fixed assets, including internal-use software and website development, and other amortization	70	60	134	122	259	244
Stock-based compensation	73	46	127	80	232	140
Other operating expense (income), net	(45)	3	(39)	3	(32)	7
Losses (gains) on sales of marketable securities, net			(3)	1	(3)	(2)
Other expense, net	9	5	7	9	10	9
Deferred income taxes	(10)	(2)	(29)		(128)	14
Excess tax benefits from stock-based compensation	(43)	(35)	(106)	(60)	(304)	(133)
Changes in operating assets and liabilities:						
Inventories	(35)	25	113	151	(341)	(193)
Accounts receivable, net and other	(25)	(10)	115	56	(197)	(113)
Accounts payable	116	82	(886)	(520)	562	319
Accrued expenses and other	62	31	(63)	(28)	394	256
Additions to unearned revenue	87	64	165	109	300	223
Amortization of previously unearned revenue	(70)	(48)	(134)	(92)	(252)	(182)
Net cash provided by (used in) operating activities	347	299	(298)	20	1,088	895
<b>INVESTING ACTIVITIES:</b>						
Purchases of fixed assets, including internal-use software and website development	(69)	(47)	(130)	(82)	(272)	(195)
Acquisitions, net of cash acquired, and other	(44)	(22)	(400)	(22)	(452)	(26)
Sales and maturities of marketable securities and other investments	181	161	452	945	777	2,253
Purchases of marketable securities and other investments	(369)	(180)	(750)	(694)	(987)	(2,262)
Net cash provided by (used in) investing activities	(301)	(88)	(828)	147	(934)	(230)
<b>FINANCING ACTIVITIES:</b>						
Proceeds from exercises of stock options	6	35	8	44	56	65
Excess tax benefits from stock-based compensation	43	35	106	60	304	133
Common stock repurchased				(248)		(500)
Proceeds from long-term debt and other	1		52		83	3
Repayments of long-term debt and capital lease obligations	(36)	(29)	(60)	(46)	(96)	(67)
Net cash provided by (used in) financing activities	14	41	106	(190)	347	(366)
Foreign-currency effect on cash and cash equivalents	(8)	4	29	5	43	22

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Net increase (decrease) in cash and cash equivalents	52	256	(991)	(18)	544	321
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 1,548</b>	<b>\$ 1,004</b>	<b>\$ 1,548</b>	<b>\$ 1,004</b>	<b>\$ 1,548</b>	<b>\$ 1,004</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>						
Cash paid for interest	\$ 1	\$ 1	\$ 47	\$ 44	\$ 70	\$ 68
Cash paid for income taxes	15	7	23	10	37	17
Fixed assets acquired under capital leases and other financing arrangements	52	9	67	21	121	68
Fixed assets acquired under build-to-suit leases	13		17		31	
Conversion of debt	473		473		474	

See accompanying notes to consolidated financial statements.

**Table of Contents****AMAZON.COM, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(in millions, except per share data)****(unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Net sales	\$ 4,063	\$ 2,886	\$ 8,198	\$ 5,901
Cost of sales	3,096	2,185	6,275	4,480
Gross profit	967	701	1,923	1,421
Operating expenses (1):				
Fulfillment	361	258	715	518
Marketing	102	65	205	137
Technology and content	258	201	492	387
General and administrative	74	58	135	114
Other operating expense (income), net	(45)	3	(39)	3
Total operating expenses	750	585	1,508	1,159
Income from operations	217	116	415	262
Interest income	20	20	46	39
Interest expense	(21)	(19)	(43)	(38)
Other expense, net	(8)			