

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 September 30, 2024

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)

Delaware

(State or other jurisdiction of incorporation or organization)

91-1646860

(I.R.S. Employer Identification No.)

410 Terry Avenue North, Seattle, Washington 98109-5210

(206) 266-1000

(Address and telephone number, including area code, of registrant’s principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:		
Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$.01 per share	AMZN	Nasdaq Global Select Market

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).    Yes ☒    No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☒

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☐

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.    ☐

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

10,515,011,008 shares of common stock, par value \$0.01 per share, outstanding as of October 18, 2024

**AMAZON.COM, INC.**  
**FORM 10-Q**  
**For the Quarterly Period Ended September 30, 2024**  
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# PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

### AMAZON.COM, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (in millions) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2023	2024	2023	2024	2023	2024
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD	\$ 50,067	\$ 71,673	\$ 54,253	\$ 73,890	\$ 35,178	\$ 50,081
OPERATING ACTIVITIES:						
Net income	9,879	15,328	19,801	39,244	20,079	49,868
Adjustments to reconcile net income to net cash from operating activities:						
Depreciation and amortization of property and equipment and capitalized content costs, operating lease assets, and other	12,131	13,442	34,843	37,164	47,528	50,984
Stock-based compensation	5,829	5,333	17,704	17,016	23,310	23,335
Non-operating expense (income), net	(990)	(141)	(409)	2,498	3,036	2,159
Deferred income taxes	(1,196)	(1,317)	(4,412)	(3,040)	(7,779)	(4,504)
Changes in operating assets and liabilities:						
Inventories	808	(1,509)	(1,194)	(2,818)	1,986	(175)
Accounts receivable, net and other	(3,584)	(701)	(901)	774	(5,641)	(6,673)
Other assets	(3,134)	(4,537)	(9,463)	(10,293)	(13,511)	(13,095)
Accounts payable	2,820	(477)	(5,415)	(5,754)	4,437	5,134
Accrued expenses and other	(1,321)	129	(9,022)	(6,946)	(3,245)	(352)
Unearned revenue	(25)	421	949	2,396	1,454	6,025
Net cash provided by (used in) operating activities	21,217	25,971	42,481	70,241	71,654	112,706
INVESTING ACTIVITIES:						
Purchases of property and equipment	(12,479)	(22,620)	(38,141)	(55,165)	(54,733)	(69,753)
Proceeds from property and equipment sales and incentives	1,181	1,342	3,361	3,559	4,513	4,794
Acquisitions, net of cash acquired, non-marketable investments, and other	(1,629)	(622)	(5,458)	(4,547)	(6,289)	(4,928)
Sales and maturities of marketable securities	1,393	8,069	4,059	12,726	9,742	14,294
Purchases of marketable securities	(219)	(3,068)	(1,053)	(13,472)	(1,286)	(13,907)
Net cash provided by (used in) investing activities	(11,753)	(16,899)	(37,232)	(56,899)	(48,053)	(69,500)
FINANCING ACTIVITIES:						
Proceeds from short-term debt, and other	216	1,725	17,395	2,588	28,002	3,322
Repayments of short-term debt, and other	(8,095)	(1,820)	(19,339)	(2,453)	(35,136)	(8,791)
Proceeds from long-term debt	—	—	—	—	8,235	—
Repayments of long-term debt	—	(2,183)	(3,386)	(6,682)	(4,643)	(6,972)
Principal repayments of finance leases	(1,005)	(402)	(3,605)	(1,710)	(5,245)	(2,489)
Principal repayments of financing obligations	(64)	(78)	(198)	(247)	(260)	(320)
Net cash provided by (used in) financing activities	(8,948)	(2,758)	(9,133)	(8,504)	(9,047)	(15,250)
Foreign currency effect on cash, cash equivalents, and restricted cash	(502)	690	(288)	(51)	349	640
Net increase (decrease) in cash, cash equivalents, and restricted cash	14	7,004	(4,172)	4,787	14,903	28,596
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	\$ 50,081	\$ 78,677	\$ 50,081	\$ 78,677	\$ 50,081	\$ 78,677

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Net product sales	\$ 63,171	\$ 67,601	\$ 179,184	\$ 190,085
Net service sales	79,912	91,276	225,640	260,082
Total net sales	143,083	158,877	404,824	450,167
Operating expenses:				
Cost of sales	75,022	80,977	212,186	227,395
Fulfillment	22,314	24,660	64,524	70,543
Technology and infrastructure	21,203	22,245	63,584	64,973
Sales and marketing	10,551	10,609	31,468	30,783
General and administrative	2,561	2,713	8,806	8,496
Other operating expense (income), net	244	262	613	587
Total operating expenses	131,895	141,466	381,181	402,777
Operating income	11,188	17,411	23,643	47,390
Interest income	776	1,256	2,048	3,429
Interest expense	(806)	(603)	(2,469)	(1,836)
Other income (expense), net	1,031	(27)	649	(2,718)
Total non-operating income (expense)	1,001	626	228	(1,125)
Income before income taxes	12,189	18,037	23,871	46,265
Provision for income taxes	(2,306)	(2,706)	(4,058)	(6,940)
Equity-method investment activity, net of tax	(4)	(3)	(12)	(81)
Net income	\$ 9,879	\$ 15,328	\$ 19,801	\$ 39,244
Basic earnings per share	\$ 0.96	\$ 1.46	\$ 1.93	\$ 3.76
Diluted earnings per share	\$ 0.94	\$ 1.43	\$ 1.89	\$ 3.67
Weighted-average shares used in computation of earnings per share:				
Basic	10,322	10,501	10,286	10,447
Diluted	10,558	10,735	10,452	10,705

See accompanying notes to consolidated financial statements.

**AMAZON.COM, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in millions)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Net income	\$ 9,879	\$ 15,328	\$ 19,801	\$ 39,244
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax of \$36, \$(45), \$4, and \$43	(1,388)	1,911	(738)	178
Available-for-sale debt securities:				
Change in net unrealized gains (losses), net of tax of \$(18), \$(55), \$(52), and \$(282)	62	167	174	944
Less: reclassification adjustment for losses (gains) included in "Other income (expense), net," net of tax of \$0, \$0, \$(15), and \$(1)	3	—	48	4
Net change	65	167	222	948
Other, net of tax of \$0, \$3, \$0, and \$1	—	(3)	—	(4)
Total other comprehensive income (loss)	(1,323)	2,075	(516)	1,122
Comprehensive income	\$ 8,556	\$ 17,403	\$ 19,285	\$ 40,366

See accompanying notes to consolidated financial statements.

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

	December 31, 2023	September 30, 2024
		(unaudited)
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 73,387	\$ 75,091
Marketable securities	13,393	12,960
Inventories	33,318	36,103
Accounts receivable, net and other	52,253	51,638
Total current assets	172,351	175,792
Property and equipment, net	204,177	237,917
Operating leases	72,513	76,527
Goodwill	22,789	23,081
Other assets	56,024	71,309
Total assets	\$ 527,854	\$ 584,626
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable	\$ 84,981	\$ 84,570
Accrued expenses and other	64,709	60,602
Unearned revenue	15,227	16,305
Total current liabilities	164,917	161,477
Long-term lease liabilities	77,297	79,802
Long-term debt	58,314	54,890
Other long-term liabilities	25,451	29,306
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock (\$0.01 par value; 500 shares authorized; no shares issued or outstanding)	—	—
Common stock (\$0.01 par value; 100,000 shares authorized; 10,898 and 11,026 shares issued; 10,383 and 10,511 shares outstanding)	109	110
Treasury stock, at cost	(7,837)	(7,837)
Additional paid-in capital	99,025	115,934
Accumulated other comprehensive income (loss)	(3,040)	(1,918)
Retained earnings	113,618	152,862
Total stockholders' equity	201,875	259,151
Total liabilities and stockholders' equity	\$ 527,854	\$ 584,626

See accompanying notes to consolidated financial statements.

**AMAZON.COM, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**Note 1 — ACCOUNTING POLICIES AND SUPPLEMENTAL DISCLOSURES**

***Unaudited Interim Financial Information***

We have prepared the accompanying consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting. These consolidated financial statements are unaudited and, in our opinion, include all adjustments, consisting of normal recurring adjustments and accruals necessary for a fair presentation of our consolidated cash flows, operating results, and balance sheets for the periods presented. Operating results for the periods presented are not necessarily indicative of the results that may be expected for 2024 due to seasonal and other factors. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been omitted in accordance with the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in Item 8 of Part II, “Financial Statements and Supplementary Data,” of our 2023 Annual Report on Form 10-K.

***Prior Period Reclassifications***

Certain prior period amounts have been reclassified to conform to the current period presentation. “Other assets” were reclassified out of “Accounts receivable, net and other” on our consolidated statements of cash flows.

***Principles of Consolidation***

The consolidated financial statements include the accounts of Amazon.com, Inc. and its consolidated entities (collectively, the “Company”), consisting of its wholly-owned subsidiaries and those entities in which we have a variable interest and of which we are the primary beneficiary, including certain entities in India and certain entities that support our health care services. Intercompany balances and transactions between consolidated entities are eliminated.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, income taxes, useful lives of equipment, commitments and contingencies, valuation of acquired intangibles and goodwill, stock-based compensation forfeiture rates, vendor funding, inventory valuation, collectability of receivables, impairment of property and equipment and operating leases, valuation and impairment of investments, self-insurance liabilities, and viewing patterns of capitalized video content. Actual results could differ materially from these estimates.

We review the useful lives of equipment on an ongoing basis, and effective January 1, 2024 we changed our estimate of the useful lives for our servers from five to six years. The longer useful lives are due to continuous improvements in our hardware, software, and data center designs. The effect of this change in estimate for Q3 2024, based on servers that were included in “Property and equipment, net” as of June 30, 2024 and those acquired during the three months ended September 30, 2024, was a reduction in depreciation and amortization expense of \$760 million and a benefit to net income of \$598 million, or \$0.06 per basic share and \$0.06 per diluted share. The effect of this change in estimate for the nine months ended September 30, 2024, based on servers that were included in “Property and equipment, net” as of December 31, 2023 and those acquired during the nine months ended September 30, 2024, was a reduction in depreciation and amortization expense of \$2.4 billion and a benefit to net income of \$1.9 billion, or \$0.18 per basic share and \$0.18 per diluted share.

### Supplemental Cash Flow Information

The following table shows supplemental cash flow information (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2023	2024	2023	2024	2023	2024
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>						
Cash paid for interest on debt, net of capitalized interest	\$ 465	\$ 266	\$ 1,821	\$ 1,215	\$ 2,450	\$ 2,002
Cash paid for operating leases	2,692	2,940	7,687	9,116	10,052	11,882
Cash paid for interest on finance leases	76	71	234	217	318	291
Cash paid for interest on financing obligations	50	47	150	161	205	207
Cash paid for income taxes, net of refunds	2,628	2,004	6,982	8,162	8,677	12,359
Assets acquired under operating leases	3,345	3,571	11,075	11,235	15,844	14,212
Property and equipment acquired under finance leases, net of remeasurements and modifications	183	186	431	409	748	620
Property and equipment recognized during the construction period of build-to-suit lease arrangements	93	21	308	89	618	138
Property and equipment derecognized after the construction period of build-to-suit lease arrangements, with the associated leases recognized as operating	492	—	1,212	—	3,063	162

### Earnings Per Share

Basic earnings per share is calculated using our weighted-average outstanding common shares. Diluted earnings per share is calculated using our weighted-average outstanding common shares including the dilutive effect of stock awards as determined under the treasury stock method. In periods when we have a net loss, stock awards are excluded from our calculation of earnings per share as their inclusion would have an antidilutive effect.

The following table shows the calculation of diluted shares (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Shares used in computation of basic earnings per share	10,322	10,501	10,286	10,447
Total dilutive effect of outstanding stock awards	236	234	166	258
Shares used in computation of diluted earnings per share	10,558	10,735	10,452	10,705

### Other Income (Expense), Net

“Other income (expense), net” is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Marketable equity securities valuation gains (losses)	\$ 1,196	\$ (117)	\$ 1,015	\$ (1,800)
Equity warrant valuation gains (losses)	(27)	80	(188)	(421)
Upward adjustments relating to equity investments in private companies	7	2	33	13
Foreign currency gains (losses)	(94)	17	(15)	(195)
Other, net	(51)	(9)	(196)	(315)
Total other income (expense), net	1,031	(27)	649	(2,718)

Included in “Other income (expense), net” is a marketable equity securities valuation gain (loss) of \$1.2 billion and \$(348) million in Q3 2023 and Q3 2024, and \$926 million and \$(1.9) billion for the nine months ended September 30, 2023 and 2024, from our equity investment in Rivian Automotive, Inc. (“Rivian”). As of September 30, 2024, we held 158 million shares of Rivian’s Class A common stock, representing an approximate 16% ownership interest, and an approximate 15% voting interest. We determined that we have the ability to exercise significant influence over Rivian through our equity investment, our commercial arrangement for the purchase of electric vehicles and jointly-owned intellectual property, and one of our employees serving on Rivian’s board of directors. We elected the fair value option to account for our equity investment in Rivian, which is



included in “Marketable securities” on our consolidated balance sheets, and had a fair value of \$3.7 billion and \$1.8 billion as of December 31, 2023 and September 30, 2024.

Required summarized financial information of Rivian as disclosed in its most recent SEC filings is as follows (in millions):

	Six Months Ended June 30,	
	2023	2024
Revenues	\$ 1,782	\$ 2,362
Gross profit (loss)	(947)	(978)
Loss from operations	(2,718)	(2,859)
Net loss	(2,544)	(2,903)

### ***Inventories***

Inventories, consisting of products available for sale, are primarily accounted for using the first-in, first-out method, and are valued at the lower of cost and net realizable value. This valuation requires us to make judgments, based on currently available information, about the likely method of disposition, such as through sales to individual customers, returns to product vendors, or liquidations, and expected recoverable values of each disposition category. The inventory valuation allowance, representing a write-down of inventory, was \$3.0 billion and \$2.7 billion as of December 31, 2023 and September 30, 2024.

### ***Accounts Receivable, Net and Other***

Included in “Accounts receivable, net and other” on our consolidated balance sheets are receivables primarily related to customers, vendors, and sellers, as well as prepaid expenses and other current assets. As of December 31, 2023 and September 30, 2024, customer receivables, net, were \$34.1 billion and \$34.6 billion, vendor receivables, net, were \$8.5 billion and \$8.3 billion, seller receivables, net, were \$1.0 billion and \$60 million, and other receivables, net, were \$3.3 billion and \$3.0 billion. Seller receivables are amounts due from sellers related to our seller lending program, which provided funding to sellers primarily to procure inventory. Prepaid expenses and other current assets were \$5.4 billion and \$5.8 billion as of December 31, 2023 and September 30, 2024.

We estimate losses on receivables based on expected losses, including our historical experience of actual losses. The allowance for doubtful accounts was \$1.7 billion and \$1.9 billion as of December 31, 2023 and September 30, 2024.

### ***Digital Video and Music Content***

Included in “Other assets” on our consolidated balance sheets are the total capitalized costs of video, which is primarily released content, and music, which as of December 31, 2023 and September 30, 2024 were \$17.4 billion and \$19.8 billion. Total video and music expense was \$4.6 billion and \$5.0 billion in Q3 2023 and Q3 2024, and \$13.0 billion and \$14.2 billion for the nine months ended September 30, 2023 and 2024.

### ***Unearned Revenue***

Unearned revenue is recorded when payments are received or due in advance of performing our service obligations and is recognized over the service period. Unearned revenue primarily relates to prepayments of AWS services and Amazon Prime memberships. Our total unearned revenue as of December 31, 2023 was \$20.9 billion, of which \$12.5 billion was recognized as revenue during the nine months ended September 30, 2024. Included in “Other long-term liabilities” on our consolidated balance sheets was \$5.7 billion and \$7.0 billion of unearned revenue as of December 31, 2023 and September 30, 2024.

Additionally, we have performance obligations, primarily related to AWS, associated with commitments in customer contracts for future services that have not yet been recognized in our consolidated financial statements. For contracts with original terms that exceed one year, those commitments not yet recognized were approximately \$164 billion as of September 30, 2024. The weighted-average remaining life of our long-term contracts is 3.9 years. However, the amount and timing of revenue recognition is largely driven by customer usage, which can extend beyond the original contractual term.

### ***Accounting Pronouncements Not Yet Adopted***

In December 2023, the Financial Accounting Standards Board issued an Accounting Standards Update (“ASU”) amending existing income tax disclosure guidance, primarily requiring more detailed disclosure for income taxes paid and the effective tax rate reconciliation. The ASU is effective for annual reporting periods beginning after December 15, 2024, with

early adoption permitted, and can be applied on either a prospective or retroactive basis. We are currently evaluating the ASU to determine its impact on our income tax disclosures.

## **Note 2 — FINANCIAL INSTRUMENTS**

### ***Cash, Cash Equivalents, Restricted Cash, and Marketable Securities***

As of December 31, 2023 and September 30, 2024, our cash, cash equivalents, restricted cash, and marketable securities primarily consisted of cash, AAA-rated money market funds, U.S. and foreign government and agency securities, other investment grade securities, and marketable equity securities. Cash equivalents and marketable securities are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

**Level 1**—Valuations based on quoted prices for identical assets and liabilities in active markets.

**Level 2**—Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

**Level 3**—Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

We measure the fair value of money market funds and certain marketable equity securities based on quoted prices in active markets for identical assets or liabilities. Other marketable securities were valued either based on recent trades of securities in inactive markets or based on quoted market prices of similar instruments and other significant inputs derived from or corroborated by observable market data.

The following table summarizes, by major security type, our cash, cash equivalents, restricted cash, and marketable securities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy (in millions):

	December 31, 2023	September 30, 2024			
	Total Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Estimated Fair Value
Cash	\$ 11,706	\$ 15,401	\$ —	\$ —	\$ 15,401
Level 1 securities:					
Money market funds	39,160	28,793	—	—	28,793
Equity securities (1)	4,658				2,864
Level 2 securities:					
Foreign government and agency securities	505	302	—	—	302
U.S. government and agency securities	1,699	2,309	1	(51)	2,259
Corporate debt securities	27,805	41,001	7	(52)	40,956
Asset-backed securities	1,646	1,018	1	(20)	999
Other debt securities	104	64	—	(1)	63
	<u>\$ 87,283</u>	<u>\$ 88,888</u>	<u>\$ 9</u>	<u>\$ (124)</u>	<u>\$ 91,637</u>
Less: Restricted cash, cash equivalents, and marketable securities (2)	(503)				(3,586)
Total cash, cash equivalents, and marketable securities	<u>\$ 86,780</u>				<u>\$ 88,051</u>

- (1) The related unrealized gain (loss) recorded in “Other income (expense), net” was \$1.2 billion and \$(145) million in Q3 2023 and Q3 2024, and \$1.0 billion and \$(1.8) billion for the nine months ended September 30, 2023 and 2024.
- (2) We are required to pledge or otherwise restrict a portion of our cash, cash equivalents, and marketable debt securities primarily as collateral for real estate, amounts due to third-party sellers in certain jurisdictions, debt, standby and trade letters of credit, and licenses of digital media content. We classify cash, cash equivalents, and marketable debt securities with use restrictions of less than twelve months as “Accounts receivable, net and other” and of twelve months or longer as non-current “Other assets” on our consolidated balance sheets. See “Note 4 — Commitments and Contingencies.”

The following table summarizes the remaining contractual maturities of our cash equivalents and marketable debt securities as of September 30, 2024 (in millions):

	Amortized Cost	Estimated Fair Value
Due within one year	\$ 69,997	\$ 69,976
Due after one year through five years	2,536	2,481
Due after five years through ten years	352	345
Due after ten years	602	570
Total	<u>\$ 73,487</u>	<u>\$ 73,372</u>

Actual maturities may differ from the contractual maturities because borrowers may have certain prepayment conditions.

### Non-Marketable Investments

We hold equity warrants giving us the right to acquire stock of other companies. As of December 31, 2023 and September 30, 2024, these warrants had a fair value of \$2.2 billion and \$2.4 billion, with gains and losses recognized in “Other income (expense), net” on our consolidated statements of operations. These warrants are classified as Level 2 and 3 assets.

As of December 31, 2023 and September 30, 2024, equity investments not accounted for under the equity-method and without readily determinable fair values had a carrying value of \$754 million and \$886 million, with adjustments recognized in “Other income (expense), net” on our consolidated statements of operations.

In Q3 2023, we invested in a \$1.25 billion note from Anthropic, PBC, which is convertible to equity. In Q1 2024, we invested \$2.75 billion in a second convertible note. The notes are classified as available for sale and reported at fair value with unrealized gains and losses included in “Accumulated other comprehensive income (loss).” The notes are classified as Level 3 assets. We also have a commercial arrangement primarily for the provision of AWS cloud services, which includes the use of AWS chips.



All non-marketable investments are recorded within “Other assets” on our consolidated balance sheets.

### **Consolidated Statements of Cash Flows Reconciliation**

The following table provides a reconciliation of the amount of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets to the total of the same such amounts shown in the consolidated statements of cash flows (in millions):

	December 31, 2023	September 30, 2024
Cash and cash equivalents	\$ 73,387	\$ 75,091
Restricted cash included in accounts receivable, net and other	497	333
Restricted cash included in other assets	6	3,253
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>\$ 73,890</u>	<u>\$ 78,677</u>

### **Note 3 — LEASES**

We have entered into non-cancellable operating and finance leases for fulfillment network, data center, office, and physical store facilities as well as server and networking equipment, aircraft, and vehicles. Gross assets acquired under finance leases, including those where title transfers at the end of the lease, are recorded in “Property and equipment, net” and were \$62.5 billion and \$59.2 billion as of December 31, 2023 and September 30, 2024. Accumulated amortization associated with finance leases was \$44.7 billion and \$43.7 billion as of December 31, 2023 and September 30, 2024.

Lease cost recognized in our consolidated statements of operations is summarized as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Operating lease cost	\$ 2,679	\$ 3,057	\$ 7,799	\$ 8,807
Finance lease cost:				
Amortization of lease assets	1,439	1,040	4,524	2,929
Interest on lease liabilities	74	70	230	215
Finance lease cost	1,513	1,110	4,754	3,144
Variable lease cost	567	605	1,579	1,832
Total lease cost	<u>\$ 4,759</u>	<u>\$ 4,772</u>	<u>\$ 14,132</u>	<u>\$ 13,783</u>

Other information about lease amounts recognized in our consolidated financial statements is as follows:

	December 31, 2023	September 30, 2024
Weighted-average remaining lease term – operating leases	11.3 years	10.7 years
Weighted-average remaining lease term – finance leases	11.9 years	12.0 years
Weighted-average discount rate – operating leases	3.3 %	3.4 %
Weighted-average discount rate – finance leases	2.7 %	2.9 %

Our lease liabilities were as follows (in millions):

	December 31, 2023		
	Operating Leases	Finance Leases	Total
Gross lease liabilities	\$ 90,777	\$ 14,106	\$ 104,883
Less: imputed interest	(15,138)	(1,997)	(17,135)
Present value of lease liabilities	75,639	12,109	87,748
Less: current portion of lease liabilities	(8,419)	(2,032)	(10,451)
Total long-term lease liabilities	\$ 67,220	\$ 10,077	\$ 77,297

  

	September 30, 2024		
	Operating Leases	Finance Leases	Total
Gross lease liabilities	\$ 95,609	\$ 12,794	\$ 108,403
Less: imputed interest	(15,932)	(1,975)	(17,907)
Present value of lease liabilities	79,677	10,819	90,496
Less: current portion of lease liabilities	(9,301)	(1,393)	(10,694)
Total long-term lease liabilities	\$ 70,376	\$ 9,426	\$ 79,802

#### Note 4 — COMMITMENTS AND CONTINGENCIES

##### Commitments

The following summarizes our principal contractual commitments, excluding open orders for purchases that support normal operations and are generally cancellable, as of September 30, 2024 (in millions):

	Three Months Ended December 31,	Year Ended December 31,					Total
	2024	2025	2026	2027	2028	Thereafter	
Long-term debt principal and interest	\$ 3,268	\$ 6,858	\$ 4,458	\$ 10,403	\$ 3,644	\$ 60,176	\$ 88,807
Operating lease liabilities	3,758	11,434	10,686	9,755	8,874	51,102	95,609
Finance lease liabilities, including interest	456	1,545	1,428	1,247	1,083	7,035	12,794
Financing obligations, including interest (1)	95	526	534	543	551	7,247	9,496
Leases not yet commenced	621	2,919	3,262	3,779	3,627	36,127	50,335
Unconditional purchase obligations (2)	2,782	7,302	5,546	4,705	4,097	27,092	51,524
Other commitments (3)	1,302	2,398	1,315	855	792	11,116	17,778
Total commitments	\$ 12,282	\$ 32,982	\$ 27,229	\$ 31,287	\$ 22,668	\$ 199,895	\$ 326,343

- (1) Includes non-cancellable financing obligations for fulfillment network and data center facilities. Excluding interest, current financing obligations of \$271 million and \$313 million are recorded within “Accrued expenses and other” and \$6.6 billion and \$7.5 billion are recorded within “Other long-term liabilities” as of December 31, 2023 and September 30, 2024. The weighted-average remaining term of the financing obligations was 17.0 years and 16.4 years and the weighted-average imputed interest rate was 3.1% and 2.9% as of December 31, 2023 and September 30, 2024.
- (2) Includes unconditional purchase obligations related to long-term agreements to acquire and license digital media content, procure energy, and license software that are not reflected on the consolidated balance sheets. For those agreements with variable terms, we do not estimate the total obligation beyond any minimum quantities and/or pricing as of the reporting date. Purchase obligations associated with renewal provisions solely at the option of the content provider are included to the extent such commitments are fixed or a minimum amount is specified. Renewable energy agreements based on actual generation without a fixed or minimum volume commitment are not included. These agreements also provide the right to receive renewable energy certificates for no additional consideration.
- (3) Includes asset retirement obligations, liabilities associated with digital media content agreements with initial terms greater than one year, and the estimated timing and amounts of payments for rent and tenant improvements associated with build-to-suit lease arrangements that are under construction. Excludes approximately \$6.3 billion of income tax contingencies for which we cannot make a reasonably reliable estimate of the amount and period of payment, if any.



### ***Other Contingencies***

We are disputing claims and denials of refunds or credits, and monitoring or evaluating potential claims, related to various non-income taxes (such as sales, value added, consumption, service, and similar taxes), including in jurisdictions in which we already collect and remit these taxes. These non-income tax controversies typically include (i) the taxability of products and services, including cross-border intercompany transactions, (ii) collection and withholding on transactions with third parties, including as a result of evolving requirements imposed on marketplaces with respect to third-party sellers, and (iii) the adequacy of compliance with reporting obligations, including evolving documentation requirements. Due to the inherent complexity and uncertainty of these matters and the judicial and regulatory processes in certain jurisdictions, the final outcome of any such controversies may be materially different from our expectations.

### ***Legal Proceedings***

The Company is involved from time to time in claims, proceedings, and litigation, including the matters described in Item 8 of Part II, “Financial Statements and Supplementary Data — Note 7 — Commitments and Contingencies — Legal Proceedings” of our 2023 Annual Report on Form 10-K and in Item 1 of Part I, “Financial Statements — Note 4 — Commitments and Contingencies — Legal Proceedings” of our Quarterly Reports on Form 10-Q for the periods ended March 31, 2024 and June 30, 2024, as supplemented by the following:

In December 2018, Kove IO, Inc. filed a complaint against Amazon Web Services, Inc. in the United States District Court for the Northern District of Illinois. The complaint alleged, among other things, that Amazon S3 and DynamoDB infringe U.S. Patent Nos. 7,814,170 and 7,103,640, each entitled “Network Distributed Tracking Wire Transfer Protocol”; and 7,233,978, entitled “Method and Apparatus for Managing Location Information in a Network Separate from the Data to Which the Location Information Pertains.” The complaint sought an unspecified amount of damages, enhanced damages, attorneys’ fees, costs, interest, and injunctive relief. In April 2024, a jury found that Amazon infringed the asserted patents and awarded Kove \$525 million in damages. In August 2024, the court awarded Kove \$148 million in pre-judgment interest. In September 2024, we filed a notice of appeal. We disagree with the jury’s findings and will continue to defend ourselves vigorously in this matter.

Beginning in March 2020 with *Frame-Wilson v. Amazon.com, Inc.* filed in the United States District Court for the Western District of Washington (“W.D. Wash.”), private litigants have filed a number of cases in the U.S. and Canada alleging, among other things, price fixing arrangements between Amazon.com, Inc. and vendors and third-party sellers in Amazon’s stores, monopolization and attempted monopolization, and consumer protection and unjust enrichment claims. Attorneys General for the District of Columbia and California brought similar suits in May 2021 and September 2022 in the Superior Court of the District of Columbia and the California Superior Court for the County of San Francisco, respectively. Some of the private cases include allegations of several distinct purported classes, including consumers who purchased a product through Amazon’s stores and consumers who purchased a product offered by Amazon through another e-commerce retailer. The complaints seek billions of dollars of alleged damages, treble damages, punitive damages, injunctive relief, civil penalties, attorneys’ fees, and costs. The Federal Trade Commission and a number of state Attorneys General filed a similar lawsuit in September 2023 in the W.D. Wash. alleging violations of federal antitrust and state antitrust and consumer protection laws. That complaint alleges, among other things, that Amazon has a monopoly in markets for online superstores and marketplace services, and unlawfully maintains those monopolies through anticompetitive practices relating to our pricing policies, advertising practices, the structure of Prime, and promotion of our own products on our website. The complaint seeks injunctive and structural relief, an unspecified amount of damages, and costs. In May 2024, the Attorney General of Arizona filed a complaint in the Superior Court of Arizona in Maricopa County alleging that Amazon’s practices related to pricing and the Featured Offers in its stores violate state antitrust and consumer protection laws. That complaint also seeks injunctive relief, an unspecified amount of damages, civil penalties, and costs. Amazon’s motions to dismiss were granted in part and denied in part in *Frame-Wilson* in March 2022 and March 2023, *De Coster v. Amazon.com, Inc.* (W.D. Wash.) in January 2023, and the California Attorney General’s lawsuit in March 2023. All three courts dismissed claims alleging that Amazon’s pricing policies are inherently illegal and denied dismissal of claims alleging that Amazon’s pricing policies are an unlawful restraint of trade. In August 2024, the DC Court of Appeals overturned a prior decision by the DC Superior Court dismissing the DC Attorney General’s lawsuit and that case is now proceeding. In September 2024, the United States District Court for the W.D. Wash. granted in part Amazon’s motion to dismiss the suit brought by the FTC and certain state Attorneys General with respect to five state law claims and denied the motion with respect to the remaining claims. We dispute the allegations of wrongdoing and intend to defend ourselves vigorously in these matters.

In October 2020, Broadband iTV, Inc. filed a complaint against Amazon.com, Inc., Amazon.com Services LLC, and Amazon Web Services, Inc. in the United States District Court for the Western District of Texas. The complaint alleges, among other things, that certain Amazon Prime Video features and services infringe U.S. Patent Nos. 9,648,388, 10,546,750, and 10,536,751, each entitled “Video-On-Demand Content Delivery System for Providing Video-On-Demand Services to TV Services Subscribers”; 10,028,026, entitled “System for Addressing On-Demand TV Program Content on TV Services Platform



of a Digital TV Services Provider”; and 9,973,825, entitled “Dynamic Adjustment of Electronic Program Guide Displays Based on Viewer Preferences for Minimizing Navigation in VOD Program Selection.” The complaint seeks an unspecified amount of damages. In April 2022, Broadband iTV alleged in its damages report that in the event of a finding of liability Amazon could be subject to \$166 million to \$986 million in damages. In September 2022, the district court granted summary judgment, holding that the patents are invalid. In October 2022, Broadband iTV filed a notice of appeal. In September 2024, the United States Court of Appeals for the Federal Circuit affirmed the district court’s judgment. This decision is subject to appeal. We dispute the allegations of wrongdoing and will continue to defend ourselves vigorously in this matter.

In May 2023, Dialect, LLC filed a complaint against Amazon.com, Inc. and Amazon Web Services, Inc. in the United States District Court for the Eastern District for Virginia. The complaint alleges, among other things, that Amazon’s Alexa-enabled products and services, such as Echo devices, Fire tablets, Fire TV sticks, Fire TVs, Alexa, and Alexa Voice Services, infringe U.S. Patent Nos. 7,693,720 and 9,031,845, each entitled “Mobile Systems and Methods for Responding to Natural Language Speech Utterance”; 8,015,006, entitled “Systems and Methods for Processing Natural Language Speech Utterances with Context-Specific Domain Agents”; 8,140,327, entitled “System and Method for Filtering and Eliminating Noise from Natural Language Utterances to Improve Speech Recognition and Parsing”; 8,195,468 and 9,495,957, each entitled “Mobile Systems and Methods of Supporting Natural Language Human-Machine Interactions”; and 9,263,039, entitled “Systems and Methods for Responding to Natural Language Speech Utterance.” The complaint seeks an unspecified amount of damages, enhanced damages, attorneys’ fees, costs, interest, and injunctive relief. In November 2023, the court granted in part Amazon’s motion to dismiss Dialect’s complaint and dismissed the ‘845 patent from the case. In July and August 2024, the court granted in part Amazon’s motions for summary judgment, holding that Amazon does not infringe the ‘327 patent or two claims of the ‘006 patent and that Dialect cannot recover certain alleged damages. We dispute the allegations of wrongdoing and intend to defend ourselves vigorously in this matter.

Beginning in October 2023, Nokia Technologies Oy and related entities filed complaints alleging infringement of patents related to video-related technologies against Amazon.com, Inc. and related entities in multiple courts in the United States, India, the United Kingdom, Germany, and Brazil, the Unified Patent Court of the European Union, and the United States International Trade Commission. The complaints allege, among other things, that certain Amazon Prime Video services and features of Amazon devices carrying the Prime Video app infringe Nokia’s patents; some of the complaints additionally allege infringement by Freevee, Twitch, and Amazon voice assistants. The complaints seek, among other things, injunctive relief and, in some cases, unspecified money damages, enhanced damages, attorneys’ fees, costs, interest, and declaratory relief. These matters are at various procedural stages, with preliminary and final injunctions issued in certain instances. We dispute the allegations of wrongdoing and intend to defend ourselves vigorously in these matters.

In addition, we are regularly subject to claims, litigation, and other proceedings, including potential regulatory proceedings, involving patent and other intellectual property matters, taxes, labor and employment, competition and antitrust, privacy and data protection, consumer protection, commercial disputes, goods and services offered by us and by third parties, and other matters.

The outcomes of our legal proceedings and other contingencies are inherently unpredictable, subject to significant uncertainties, and could be material to our operating results and cash flows for a particular period. We evaluate, on a regular basis, developments in our legal proceedings and other contingencies that could affect the amount of liability, including amounts in excess of any previous accruals and reasonably possible losses disclosed, and make adjustments and changes to our accruals and disclosures as appropriate. For the matters we disclose that do not include an estimate of the amount of loss or range of losses, such an estimate is not possible or is immaterial, and we may be unable to estimate the possible loss or range of losses that could potentially result from the application of non-monetary remedies. Until the final resolution of such matters, if any of our estimates and assumptions change or prove to have been incorrect, we may experience losses in excess of the amounts recorded, which could have a material effect on our business, consolidated financial position, results of operations, or cash flows.

See also “Note 7 — Income Taxes.”

## Note 5 — DEBT

As of September 30, 2024, we had \$60.5 billion of unsecured senior notes outstanding (the “Notes”). Our total long-term debt obligations are as follows (in millions):

	Maturities (1)	Stated Interest Rates	Effective Interest Rates	December 31, 2023	September 30, 2024
2014 Notes issuance of \$6.0 billion	2024 - 2044	3.80% - 4.95%	3.90% - 5.12%	4,000	4,000
2017 Notes issuance of \$17.0 billion	2025 - 2057	3.15% - 5.20%	3.02% - 4.33%	15,000	13,000
2020 Notes issuance of \$10.0 billion	2025 - 2060	0.80% - 2.70%	0.88% - 2.77%	9,000	9,000
2021 Notes issuance of \$18.5 billion	2026 - 2061	1.00% - 3.25%	1.14% - 3.31%	17,500	15,000
April 2022 Notes issuance of \$12.8 billion	2025 - 2062	3.00% - 4.10%	3.13% - 4.15%	12,750	11,250
December 2022 Notes issuance of \$8.3 billion	2024 - 2032	4.55% - 4.70%	4.61% - 4.83%	8,250	8,250
Credit Facility				682	—
Total face value of long-term debt				67,182	60,500
Unamortized discount and issuance costs, net				(374)	(362)
Less: current portion of long-term debt				(8,494)	(5,248)
Long-term debt				<u>\$ 58,314</u>	<u>\$ 54,890</u>

(1) The weighted-average remaining lives of the 2014, 2017, 2020, 2021, April 2022, and December 2022 Notes were 10.8, 15.5, 16.8, 14.4, 13.1, and 4.1 years as of September 30, 2024. The combined weighted-average remaining life of the Notes was 13.1 years as of September 30, 2024.

Interest on the Notes is payable semi-annually in arrears. We may redeem the Notes at any time in whole, or from time to time, in part at specified redemption prices. We are not subject to any financial covenants under the Notes. The estimated fair value of the Notes was approximately \$60.6 billion and \$55.1 billion as of December 31, 2023 and September 30, 2024, which is based on quoted prices for our debt as of those dates.

As of September 30, 2024, we have repaid outstanding borrowings and terminated the secured revolving credit facility with a lender that was secured by certain seller receivables (the “Credit Facility”). The Credit Facility bore interest based on the daily Secured Overnight Financing Rate plus 1.25%, and had a commitment fee of up to 0.45% on the undrawn portion. There were \$682 million of borrowings outstanding under the Credit Facility as of December 31, 2023, which had an interest rate of 6.6%. As of December 31, 2023, we had pledged \$806 million of our cash and seller receivables as collateral for debt related to our Credit Facility. The estimated fair value of the Credit Facility, which was based on Level 2 inputs, approximated its carrying value as of December 31, 2023.

In January 2023, we entered into an \$8.0 billion unsecured 364-day term loan with a syndicate of lenders (the “Term Loan”), maturing in January 2024 and bearing interest at the Secured Overnight Financing Rate specified in the Term Loan plus 0.75%. The Term Loan was classified as short-term debt and included within “Accrued expenses and other” on our consolidated balance sheets. As of December 31, 2023, the entire amount of the Term Loan had been repaid.

We have U.S. Dollar and Euro commercial paper programs (the “Commercial Paper Programs”) under which we may from time to time issue unsecured commercial paper up to a total of \$20.0 billion (including up to €3.0 billion) at the date of issue, with individual maturities that may vary but will not exceed 397 days from the date of issue. There were no borrowings outstanding under the Commercial Paper Programs as of December 31, 2023 and September 30, 2024. We use the net proceeds from the issuance of commercial paper for general corporate purposes.

We have a \$15.0 billion unsecured revolving credit facility with a syndicate of lenders (the “Credit Agreement”), with a term that extends to November 2028 and may be extended for one or more additional one-year terms subject to approval by the lenders. The interest rate applicable to outstanding balances under the Credit Agreement is the applicable benchmark rate specified in the Credit Agreement plus 0.45%, with a commitment fee of 0.03% on the undrawn portion of the credit facility. There were no borrowings outstanding under the Credit Agreement as of December 31, 2023 and September 30, 2024.

As of September 30, 2024, we had a \$5.0 billion unsecured 364-day revolving credit facility with a syndicate of lenders (the “2023 Short-Term Credit Agreement”). The interest rate applicable to outstanding balances under the 2023 Short-Term Credit Agreement is the Secured Overnight Financing Rate specified in the 2023 Short-Term Credit Agreement plus 0.45%, with a commitment fee of 0.03% on the undrawn portion. There were no borrowings outstanding under the 2023 Short-Term Credit Agreement as of December 31, 2023 and September 30, 2024. In October 2024, we replaced the 2023 Short-Term Credit



Agreement with a new \$5.0 billion unsecured 364-day revolving credit facility with a syndicate of lenders on substantially the same terms, which matures in October 2025 and may be extended for one additional period of 364 days subject to approval by the lenders.

We also utilize other short-term credit facilities for working capital purposes. There were \$147 million and \$88 million of borrowings outstanding under these facilities as of December 31, 2023 and September 30, 2024, which were included in “Accrued expenses and other” on our consolidated balance sheets. In addition, we had \$8.4 billion of unused letters of credit as of September 30, 2024.

## Note 6 — STOCKHOLDERS’ EQUITY

### Stock Repurchase Activity

In March 2022, the Board of Directors authorized a program to repurchase up to \$10.0 billion of our common stock, with no fixed expiration. There were no repurchases of our common stock during the nine months ended September 30, 2023 or 2024. As of September 30, 2024, we have \$6.1 billion remaining under the repurchase program.

### Stock Award Plans

Employees vest in restricted stock unit awards over the corresponding service term, generally between two and five years. The majority of restricted stock unit awards are granted at the date of hire or in Q2 as part of the annual compensation review and primarily vest semi-annually in Q2 and Q4 of the relevant compensation year.

### Stock Award Activity

Common shares outstanding plus shares underlying outstanding stock awards totaled 10.8 billion and 10.9 billion as of December 31, 2023 and September 30, 2024. These totals include all vested and unvested stock awards outstanding, including those awards we estimate will be forfeited. Stock-based compensation expense is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Cost of sales	\$ 193	\$ 193	\$ 609	\$ 633
Fulfillment	732	696	2,267	2,276
Technology and infrastructure	3,284	2,961	9,901	9,403
Sales and marketing	1,111	1,012	3,407	3,168
General and administrative	509	471	1,520	1,536
Total stock-based compensation expense	\$ 5,829	\$ 5,333	\$ 17,704	\$ 17,016

The following table summarizes our restricted stock unit activity for the nine months ended September 30, 2024 (in millions):

	Number of Units	Weighted-Average Grant-Date Fair Value
Outstanding as of December 31, 2023	405.8	\$ 125
Units granted	115.4	180
Units vested	(127.8)	133
Units forfeited	(31.9)	131
Outstanding as of September 30, 2024	361.5	139

Scheduled vesting for outstanding restricted stock units as of September 30, 2024, is as follows (in millions):

	Three Months Ended December 31,	Year Ended December 31,					Thereafter	Total
	2024	2025	2026	2027	2028			
Scheduled vesting — restricted stock units	82.2	147.8	88.8	31.3	8.4		3.0	361.5

As of September 30, 2024, there was \$18.9 billion of net unrecognized compensation cost related to unvested stock-based compensation arrangements. This compensation is recognized on an accelerated basis with more than half of the compensation

expected to be expensed in the next twelve months, and has a remaining weighted-average recognition period of 1.0 year. The estimated forfeiture rate as of December 31, 2023 and September 30, 2024 was 26.1% and 25.7%.

### ***Changes in Stockholders' Equity***

The following table shows changes in stockholders' equity (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Total beginning stockholders' equity	\$ 168,602	\$ 236,447	\$ 146,043	\$ 201,875
Beginning common stock	108	110	108	109
Stock-based compensation and issuance of employee benefit plan stock	—	—	—	1
Ending common stock	108	110	108	110
Beginning and ending treasury stock	(7,837)	(7,837)	(7,837)	(7,837)
Beginning additional paid-in capital	86,896	110,633	75,066	99,025
Stock-based compensation and issuance of employee benefit plan stock	5,815	5,301	17,645	16,909
Ending additional paid-in capital	92,711	115,934	92,711	115,934
Beginning accumulated other comprehensive income (loss)	(3,680)	(3,993)	(4,487)	(3,040)
Other comprehensive income (loss)	(1,323)	2,075	(516)	1,122
Ending accumulated other comprehensive income (loss)	(5,003)	(1,918)	(5,003)	(1,918)
Beginning retained earnings	93,115	137,534	83,193	113,618
Net income	9,879	15,328	19,801	39,244
Ending retained earnings	102,994	152,862	102,994	152,862
Total ending stockholders' equity	\$ 182,973	\$ 259,151	\$ 182,973	\$ 259,151

### **Note 7 — INCOME TAXES**

Our tax provision or benefit from income taxes for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment.

Our quarterly tax provision, and our quarterly estimate of our annual effective tax rate, is subject to significant variation due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss and the mix of jurisdictions to which they relate, intercompany transactions, the applicability of special tax regimes, changes in how we do business, acquisitions, investments, developments in tax controversies, changes in our stock price, changes in our deferred tax assets and liabilities and their valuation, foreign currency gains (losses), changes in statutes, regulations, case law, and administrative practices, principles, and interpretations related to tax, including changes to the global tax framework, competition, and other laws and accounting rules in various jurisdictions, and relative changes of expenses or losses for which tax benefits are not recognized. Our effective tax rate can be more or less volatile based on the amount of pre-tax income or loss. For example, the impact of discrete items and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower. In addition, we record valuation allowances against deferred tax assets when there is uncertainty about our ability to generate future income in relevant jurisdictions.

For 2024, we estimate that our effective tax rate will be favorably impacted by the U.S. federal research and development credit and foreign income deduction and adversely affected by state income taxes. In addition, valuation gains and losses from our equity investment in Rivian impact our pre-tax income and may cause variability in our effective tax rate.

Our income tax provision for the nine months ended September 30, 2023 was \$4.1 billion, which included \$175 million of net discrete tax expense, primarily consisting of discrete tax expense related to shortfalls from stock-based compensation and approximately \$600 million of tax benefit resulting from a change in the estimated qualifying expenditures associated with our



2022 U.S. federal R&D credit. Our income tax provision for the nine months ended September 30, 2024 was \$6.9 billion, which included \$2.4 billion of net discrete tax benefits primarily attributable to excess tax benefits from stock-based compensation.

Cash paid for income taxes, net of refunds was \$2.6 billion and \$2.0 billion in Q3 2023 and Q3 2024, and \$7.0 billion and \$8.2 billion for the nine months ended September 30, 2023 and 2024.

As of December 31, 2023 and September 30, 2024, income tax contingencies were approximately \$5.2 billion and \$6.3 billion. Changes in tax laws, regulations, administrative practices, principles, and interpretations may impact our tax contingencies. Due to various factors, including the inherent complexities and uncertainties of the judicial, administrative, and regulatory processes in certain jurisdictions, the timing of the resolution of income tax controversies is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ from the amounts accrued. It is reasonably possible that within the next twelve months we will receive additional assessments by various tax authorities or possibly reach resolution of income tax controversies in one or more jurisdictions. These assessments or settlements could result in changes to our contingencies related to positions on prior years' tax filings.

We are under examination, or may be subject to examination, by the Internal Revenue Service for the calendar year 2016 and thereafter. These examinations may lead to ordinary course adjustments or proposed adjustments to our taxes or our net operating losses with respect to years under examination as well as subsequent periods.

We are also subject to taxation in various states and other foreign jurisdictions including China, France, Germany, India, Japan, Luxembourg, and the United Kingdom. We are under, or may be subject to, audit or examination and additional assessments by the relevant authorities in respect of these particular jurisdictions primarily for 2011 and thereafter. We are currently disputing tax assessments in multiple jurisdictions, including with respect to the allocation and characterization of income.

In September 2022, the Luxembourg tax authority ("LTA") denied the tax basis of certain intangible assets that we distributed from Luxembourg to the U.S. in 2021. When we are assessed by the LTA, we will need to remit taxes related to this matter. We believe the LTA's position is without merit, we intend to defend ourselves vigorously in this matter, and we expect to recoup taxes paid.

The Indian tax authority ("ITA") has asserted that tax applies to cloud services fees paid to Amazon in the U.S. We will need to remit taxes related to this matter until it is resolved, which payments could be significant in the aggregate. We believe the ITA's position is without merit, we are defending our position vigorously, and we expect to recoup taxes paid. If this matter is adversely resolved, we could recognize significant additional tax expense, including for taxes previously paid.

## **Note 8 — SEGMENT INFORMATION**

We have organized our operations into three segments: North America, International, and AWS. We allocate to segment results the operating expenses "Fulfillment," "Technology and infrastructure," "Sales and marketing," and "General and administrative" based on usage, which is generally reflected in the segment in which the costs are incurred. The majority of technology costs recorded in "Technology and infrastructure" are incurred in the U.S. and are included in our North America and AWS segments. The majority of infrastructure costs recorded in "Technology and infrastructure" are allocated to the AWS segment based on usage. There are no internal revenue transactions between our reportable segments. Our chief operating decision maker ("CODM") regularly reviews consolidated net sales, consolidated operating expenses, and consolidated operating income (loss) by segment. Amounts included in consolidated operating expenses include "Cost of sales," "Fulfillment," "Technology and infrastructure," "Sales and marketing," "General and administrative," and "Other operating expense (income), net." Our CODM manages our business by reviewing annual forecasts and consolidated results by segment on a quarterly basis.

### *North America*

The North America segment primarily consists of amounts earned from retail sales of consumer products (including from sellers) and advertising and subscription services through North America-focused online and physical stores. This segment includes export sales from these online stores.

### *International*

The International segment primarily consists of amounts earned from retail sales of consumer products (including from sellers) and advertising and subscription services through internationally-focused online stores. This segment includes export sales from these internationally-focused online stores (including export sales from these online stores to customers in the U.S., Mexico, and Canada), but excludes export sales from our North America-focused online stores.

## AWS

The AWS segment consists of amounts earned from global sales of compute, storage, database, and other services for start-ups, enterprises, government agencies, and academic institutions.

Information on reportable segments and reconciliation to consolidated net income is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
<b>North America</b>				
Net sales	\$ 87,887	\$ 95,537	\$ 247,314	\$ 271,911
Operating expenses	83,580	89,874	238,898	256,200
Operating income	<u>\$ 4,307</u>	<u>\$ 5,663</u>	<u>\$ 8,416</u>	<u>\$ 15,711</u>
<b>International</b>				
Net sales	\$ 32,137	\$ 35,888	\$ 90,957	\$ 99,486
Operating expenses	32,232	34,587	93,194	97,009
Operating income (loss)	<u>\$ (95)</u>	<u>\$ 1,301</u>	<u>\$ (2,237)</u>	<u>\$ 2,477</u>
<b>AWS</b>				
Net sales	\$ 23,059	\$ 27,452	\$ 66,553	\$ 78,770
Operating expenses	16,083	17,005	49,089	49,568
Operating income	<u>\$ 6,976</u>	<u>\$ 10,447</u>	<u>\$ 17,464</u>	<u>\$ 29,202</u>
<b>Consolidated</b>				
Net sales	\$ 143,083	\$ 158,877	\$ 404,824	\$ 450,167
Operating expenses	131,895	141,466	381,181	402,777
Operating income	11,188	17,411	23,643	47,390
Total non-operating income (expense)	1,001	626	228	(1,125)
Provision for income taxes	(2,306)	(2,706)	(4,058)	(6,940)
Equity-method investment activity, net of tax	(4)	(3)	(12)	(81)
Net income	<u>\$ 9,879</u>	<u>\$ 15,328</u>	<u>\$ 19,801</u>	<u>\$ 39,244</u>



Net sales by groups of similar products and services, which also have similar economic characteristics, is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Net Sales:				
Online stores (1)	\$ 57,267	\$ 61,411	\$ 161,329	\$ 171,473
Physical stores (2)	4,959	5,228	14,878	15,636
Third-party seller services (3)	34,342	37,864	96,494	108,661
Advertising services (4)	12,060	14,331	32,252	38,926
Subscription services (5)	10,170	11,278	29,721	32,866
AWS	23,059	27,452	66,553	78,770
Other (6)	1,226	1,313	3,597	3,835
Consolidated	<u>\$ 143,083</u>	<u>\$ 158,877</u>	<u>\$ 404,824</u>	<u>\$ 450,167</u>

- (1) Includes product sales and digital media content where we record revenue gross. We leverage our retail infrastructure to offer a wide selection of consumable and durable goods that includes media products available in both a physical and digital format, such as books, videos, games, music, and software. These product sales include digital products sold on a transactional basis. Digital media content subscriptions that provide unlimited viewing or usage rights are included in “Subscription services.”
- (2) Includes product sales where our customers physically select items in a store. Sales to customers who order goods online for delivery or pickup at our physical stores are included in “Online stores.”
- (3) Includes commissions and any related fulfillment and shipping fees, and other third-party seller services.
- (4) Includes sales of advertising services to sellers, vendors, publishers, authors, and others, through programs such as sponsored ads, display, and video advertising.
- (5) Includes annual and monthly fees associated with Amazon Prime memberships, as well as digital video, audiobook, digital music, e-book, and other non-AWS subscription services.
- (6) Includes sales related to various other offerings, such as health care services, certain licensing and distribution of video content, and shipping services, and our co-branded credit card agreements.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

### ***Forward-Looking Statements***

*This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding guidance, industry prospects, or future results of operations or financial position, made in this Quarterly Report on Form 10-Q are forward-looking. We use words such as anticipates, believes, expects, future, intends, and similar expressions to identify forward-looking statements. Forward-looking statements reflect management’s current expectations and are inherently uncertain. Actual results and outcomes could differ materially for a variety of reasons, including, among others, fluctuations in foreign exchange rates, changes in global economic conditions and customer demand and spending, inflation, interest rates, regional labor market constraints, world events, the rate of growth of the internet, online commerce, cloud services, and new and emerging technologies, the amount that Amazon.com invests in new business opportunities and the timing of those investments, the mix of products and services sold to customers, the mix of net sales derived from products as compared with services, the extent to which we owe income or other taxes, competition, management of growth, potential fluctuations in operating results, international growth and expansion, the outcomes of claims, litigation, government investigations, and other proceedings, fulfillment, sortation, delivery, and data center optimization, risks of inventory management, variability in demand, the degree to which we enter into, maintain, and develop commercial agreements, proposed and completed acquisitions and strategic transactions, payments risks, and risks of fulfillment throughput and productivity. In addition, global economic and geopolitical conditions and additional or unforeseen circumstances, developments, or events may give rise to or amplify many of these risks. These risks and uncertainties, as well as other risks and uncertainties that could cause our actual results or outcomes to differ significantly from management’s expectations, are described in greater detail in Item 1A of Part II, “Risk Factors.”*

For additional information, see Item 7 of Part II, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview” of our 2023 Annual Report on Form 10-K.

### ***Critical Accounting Estimates***

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. Critical accounting estimates are those estimates made in accordance with GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of operations of the Company. Based on this definition, we have identified the critical accounting estimates addressed below. We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to understanding our results. For additional information, see Item 8 of Part II, “Financial Statements and Supplementary Data — Note 1 — Description of Business, Accounting Policies, and Supplemental Disclosures” of our 2023 Annual Report on Form 10-K and Item 1 of Part I, “Financial Statements — Note 1 — Accounting Policies and Supplemental Disclosures,” of this Form 10-Q. Although we believe that our estimates, assumptions, and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments, or conditions.

### ***Inventories***

Inventories, consisting of products available for sale, are primarily accounted for using the first-in first-out method, and are valued at the lower of cost and net realizable value. This valuation requires us to make judgments, based on currently available information, about the likely method of disposition, such as through sales to individual customers, returns to product vendors, or liquidations, and expected recoverable values of each disposition category. These assumptions about future disposition of inventory are inherently uncertain and changes in our estimates and assumptions may cause us to realize material write-downs in the future. As a measure of sensitivity, for every 1% of additional inventory valuation allowance as of September 30, 2024, we would have recorded an additional cost of sales of approximately \$380 million.

In addition, we enter into supplier commitments for certain electronic device components and certain products. These commitments are based on forecasted customer demand. If we reduce these commitments, we may incur additional costs.

### ***Income Taxes***

We are subject to income taxes in the U.S. (federal and state) and numerous foreign jurisdictions. Tax laws, regulations, administrative practices, principles, and interpretations in various jurisdictions may be subject to significant change, with or without notice, due to economic, political, and other conditions, and significant judgment is required in evaluating and estimating our provision and accruals for these taxes. There are many transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain. In addition, our actual and forecasted earnings are subject to

change due to economic, political, and other conditions and significant judgment is required in determining our ability to use our deferred tax assets.

Our effective tax rates could be affected by numerous factors, such as changes in our business operations, acquisitions, investments, entry into new businesses and geographies, intercompany transactions, the relative amount of our foreign earnings, including earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, losses incurred in jurisdictions for which we are not able to realize related tax benefits, the applicability of special tax regimes, changes in foreign exchange rates, changes in our stock price, changes to our forecasts of income and loss and the mix of jurisdictions to which they relate, changes in our deferred tax assets and liabilities and their valuation, changes in the laws, regulations, administrative practices, principles, and interpretations related to tax, including changes to the global tax framework, competition, and other laws and accounting rules in various jurisdictions. In addition, a number of countries have enacted or are actively pursuing changes to their tax laws applicable to corporate multinationals.

We are also currently subject to tax controversies in various jurisdictions, and these jurisdictions may assess additional income tax liabilities against us. Developments in an audit, investigation, or other tax controversy could have a material effect on our operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods. We regularly assess the likelihood of an adverse outcome resulting from these proceedings to determine the adequacy of our tax accruals. Although we believe our tax estimates are reasonable, the final outcome of audits, investigations, and any other tax controversies could be materially different from our historical income tax provisions and accruals.

### **Liquidity and Capital Resources**

Cash flow information is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2023	2024	2023	2024	2023	2024
Cash provided by (used in):						
Operating activities	\$ 21,217	\$ 25,971	\$ 42,481	\$ 70,241	\$ 71,654	\$ 112,706
Investing activities	(11,753)	(16,899)	(37,232)	(56,899)	(48,053)	(69,500)
Financing activities	(8,948)	(2,758)	(9,133)	(8,504)	(9,047)	(15,250)

Our principal sources of liquidity are cash flows generated from operations and our cash, cash equivalents, and marketable securities balances, which, at fair value, were \$86.8 billion and \$88.1 billion as of December 31, 2023 and September 30, 2024. Amounts held in foreign currencies were \$23.5 billion and \$19.5 billion as of December 31, 2023 and September 30, 2024. Our foreign currency balances include British Pounds, Canadian Dollars, Euros, Indian Rupees, and Japanese Yen.

Cash provided by (used in) operating activities was \$21.2 billion and \$26.0 billion for Q3 2023 and Q3 2024, and \$42.5 billion and \$70.2 billion for the nine months ended September 30, 2023 and 2024. Our operating cash flows result primarily from cash received from our consumer, seller, developer, enterprise, and content creator customers, and advertisers, offset by cash payments we make for products and services, employee compensation, payment processing and related transaction costs, operating leases, and interest payments. Cash received from our customers and other activities generally corresponds to our net sales. The increase in operating cash flow for the trailing twelve months ended September 30, 2024, compared to the comparable prior year period, was due to an increase in net income, excluding non-cash expenses, and changes in working capital. Working capital at any specific point in time is subject to many variables, including variability in demand, inventory management and category expansion, the timing of cash receipts and payments, customer and vendor payment terms, and fluctuations in foreign exchange rates.

Cash provided by (used in) investing activities corresponds with cash capital expenditures, including leasehold improvements, incentives received from property and equipment vendors, proceeds from asset sales, cash outlays for acquisitions, investments in other companies and intellectual property rights, and purchases, sales, and maturities of marketable securities. Cash provided by (used in) investing activities was \$(11.8) billion and \$(16.9) billion for Q3 2023 and Q3 2024, and \$(37.2) billion and \$(56.9) billion for the nine months ended September 30, 2023 and 2024, with the variability caused primarily by purchases, sales, and maturities of marketable securities and cash capital expenditures. Cash capital expenditures were \$11.3 billion and \$21.3 billion during Q3 2023 and Q3 2024, and \$34.8 billion and \$51.6 billion for the nine months ended September 30, 2023 and 2024, which primarily reflect investments in technology infrastructure (the majority of which is to support AWS business growth) and in additional capacity to support our fulfillment network. We expect cash capital expenditures to meaningfully increase in 2024, primarily driven by investments in technology infrastructure. We made cash payments, net of acquired cash, related to acquisition and other investment activity of \$1.6 billion and \$622 million during Q3 2023 and Q3 2024, and \$5.5 billion and \$4.5 billion for the nine months ended September 30, 2023 and 2024. We funded the

acquisition of 1Life Healthcare, Inc. (One Medical) in 2023 with cash on hand. In Q3 2023, we invested \$1.25 billion in a convertible note from Anthropic. In Q1 2024, we invested \$2.75 billion in a second convertible note.

Cash provided by (used in) financing activities was \$(8.9) billion and \$(2.8) billion for Q3 2023 and Q3 2024, and \$(9.1) billion and \$(8.5) billion for the nine months ended September 30, 2023 and 2024. Cash inflows from financing activities resulted from proceeds from short-term debt, and other and long-term debt of \$216 million and \$1.7 billion for Q3 2023 and Q3 2024, and \$17.4 billion and \$2.6 billion for the nine months ended September 30, 2023 and 2024. Cash outflows from financing activities resulted from payments of short-term debt, and other, long-term debt, finance leases, and financing obligations of \$9.2 billion and \$4.5 billion in Q3 2023 and Q3 2024, and \$26.5 billion and \$11.1 billion for the nine months ended September 30, 2023 and 2024. Property and equipment acquired under finance leases was \$183 million and \$186 million during Q3 2023 and Q3 2024, and \$431 million and \$409 million for the nine months ended September 30, 2023 and 2024.

We had no borrowings outstanding under the two unsecured revolving credit facilities or the commercial paper programs as of September 30, 2024. See Item 1 of Part I, “Financial Statements — Note 5 — Debt” for additional information.

Certain foreign subsidiary earnings and losses are subject to current U.S. taxation and the subsequent repatriation of those earnings is not subject to tax in the U.S. We intend to invest substantially all of our foreign subsidiary earnings, as well as our capital in our foreign subsidiaries, indefinitely outside of the U.S. in those jurisdictions in which we would incur significant, additional costs upon repatriation of such amounts.

Our U.S. taxable income is reduced by accelerated depreciation deductions and increased by the impact of capitalized research and development expenses. U.S. tax rules provide for enhanced accelerated depreciation deductions by allowing us to expense a portion of qualified property, primarily equipment. These enhanced deductions are scheduled to phase out annually from 2023 through 2026. Additionally, effective January 1, 2022, research and development expenses are required to be capitalized and amortized for U.S. tax purposes, which delays the deductibility of these expenses. Cash paid for U.S. (federal and state) and foreign income taxes (net of refunds) totaled \$2.6 billion and \$2.0 billion for Q3 2023 and Q3 2024, and \$7.0 billion and \$8.2 billion for the nine months ended September 30, 2023 and 2024.

As of December 31, 2023 and September 30, 2024, restricted cash, cash equivalents, and marketable securities were \$503 million and \$3.6 billion. See Item 1 of Part I, “Financial Statements — Note 4 — Commitments and Contingencies” and “Financial Statements — Note 5 — Debt” for additional discussion of our principal contractual commitments, as well as our pledged assets. Additionally, we have purchase obligations and open purchase orders, including for inventory and capital expenditures, that support normal operations and are primarily due in the next twelve months. These purchase obligations and open purchase orders are generally cancellable in full or in part through the contractual provisions.

We believe that cash flows generated from operations and our cash, cash equivalents, and marketable securities balances, as well as our borrowing arrangements, will be sufficient to meet our anticipated operating cash needs for at least the next twelve months. However, any projections of future cash needs and cash flows are subject to substantial uncertainty. See Item 1A of Part II, “Risk Factors.” We continually evaluate opportunities to sell additional equity or debt securities, obtain credit facilities, obtain finance and operating lease arrangements, enter into financing obligations, repurchase common stock, pay dividends, or repurchase, refinance, or otherwise restructure our debt for strategic reasons or to further strengthen our financial position.

The sale of additional equity or convertible debt securities would be dilutive to our shareholders. In addition, we will, from time to time, consider the acquisition of, or investment in, complementary businesses, products, services, capital infrastructure, and technologies, which might affect our liquidity requirements or cause us to secure additional financing, or issue additional equity or debt securities. There can be no assurance that additional credit lines or financing instruments will be available in amounts or on terms acceptable to us, if at all. In addition, economic conditions and actions by policymaking bodies are contributing to changing interest rates and significant capital market volatility, which, along with any increases in our borrowing levels, could increase our future borrowing costs.

## Results of Operations

We have organized our operations into three segments: North America, International, and AWS. These segments reflect the way the Company evaluates its business performance and manages its operations. See Item 1 of Part I, “Financial Statements — Note 8 — Segment Information.”

### Overview

Macroeconomic factors, including changes in inflation and interest rates, as well as global economic and geopolitical developments, have direct and indirect impacts on our results of operations that are difficult to isolate and quantify. These may impact customer demand for our products and services and our ability to forecast spending patterns. We expect some or all of these factors to continue to impact our operations into Q4 2024.

### Net Sales

Net sales include product and service sales. Product sales represent revenue from the sale of products and related shipping fees and digital media content where we record revenue gross. Service sales primarily represent third-party seller fees, which includes commissions and any related fulfillment and shipping fees, AWS sales, advertising services, Amazon Prime membership fees, and certain digital media content subscriptions. Net sales information is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
<b>Net Sales:</b>				
North America	\$ 87,887	\$ 95,537	\$ 247,314	\$ 271,911
International	32,137	35,888	90,957	99,486
AWS	23,059	27,452	66,553	78,770
Consolidated	<u>\$ 143,083</u>	<u>\$ 158,877</u>	<u>\$ 404,824</u>	<u>\$ 450,167</u>
<b>Year-over-year Percentage Growth:</b>				
North America	11 %	9 %	11 %	10 %
International	16	12	9	9
AWS	12	19	13	18
Consolidated	13	11	11	11
<b>Year-over-year Percentage Growth, excluding the effect of foreign exchange rates:</b>				
North America	11 %	9 %	11 %	10 %
International	11	12	10	11
AWS	12	19	13	18
Consolidated	11	11	11	12
<b>Net Sales Mix:</b>				
North America	61 %	60 %	61 %	60 %
International	23	23	23	22
AWS	16	17	16	18
Consolidated	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Sales increased 11% in Q3 2024, and 11% for the nine months ended September 30, 2024 compared to the comparable prior year periods. Changes in foreign exchange rates reduced net sales by \$233 million for Q3 2024, and by \$1.4 billion for the nine months ended September 30, 2024. For a discussion of the effect of foreign exchange rates on sales growth, see “Effect of Foreign Exchange Rates” below.

North America sales increased 9% in Q3 2024, and 10% for the nine months ended September 30, 2024 compared to the comparable prior year periods. The sales growth primarily reflects increased unit sales, including sales by third-party sellers, advertising sales, and subscription services. Increased unit sales were driven largely by our continued focus on price, selection, and convenience for our customers, including from our fast shipping offers. Changes in foreign exchanges rates reduced North America net sales by \$168 million for Q3 2024, and by \$143 million for the nine months ended September 30, 2024.

International sales increased 12% in Q3 2024, and 9% for the nine months ended September 30, 2024 compared to the comparable prior year periods. The sales growth primarily reflects increased unit sales, including sales by third-party sellers, advertising sales, and subscription services. Increased unit sales were driven largely by our continued focus on price, selection, and convenience for our customers, including from our fast shipping offers. Changes in foreign exchange rates did not significantly impact International net sales for Q3 2024, but reduced International net sales by \$1.3 billion for the nine months ended September 30, 2024.

AWS sales increased 19% in Q3 2024, and 18% for the nine months ended September 30, 2024 compared to the comparable prior year periods. The sales growth primarily reflects increased customer usage, partially offset by pricing changes primarily driven by long-term customer contracts.

### *Operating Income (Loss)*

Operating income (loss) by segment is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Operating Income (Loss)				
North America	\$ 4,307	\$ 5,663	\$ 8,416	\$ 15,711
International	(95)	1,301	(2,237)	2,477
AWS	6,976	10,447	17,464	29,202
Consolidated	<u>\$ 11,188</u>	<u>\$ 17,411</u>	<u>\$ 23,643</u>	<u>\$ 47,390</u>

Operating income increased from \$11.2 billion in Q3 2023 to \$17.4 billion in Q3 2024, and increased from \$23.6 billion for the nine months ended September 30, 2023 to \$47.4 billion for the nine months ended September 30, 2024. We believe that operating income is a more meaningful measure than gross profit and gross margin due to the diversity of our product categories and services.

The increase in North America operating income in Q3 2024 and for the nine months ended September 30, 2024, compared to the comparable prior year periods, is primarily due to increased unit sales and increased advertising sales, partially offset by increased fulfillment and shipping costs.

The International operating income in Q3 2024 and for the nine months ended September 30, 2024, as compared to the operating loss in the comparable prior year periods, is primarily due to increased unit sales and increased advertising sales, partially offset by increased shipping and fulfillment costs. Changes in foreign exchange rates did not significantly impact operating income for Q3 2024 or for the nine months ended September 30, 2024.

The increase in AWS operating income in Q3 2024 and for the nine months ended September 30, 2024, compared to the comparable prior year periods, is primarily due to increased sales, decreased payroll and related expenses, and a reduction in depreciation and amortization expense from our change in the estimated useful lives of our servers, partially offset by spending on technology infrastructure that was primarily driven by additional investments to support AWS business growth. Changes in foreign exchange rates did not significantly impact operating income for Q3 2024, but positively impacted operating income by \$183 million for the nine months ended September 30, 2024.

## Operating Expenses

Information about operating expenses is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Operating Expenses:				
Cost of sales	\$ 75,022	\$ 80,977	\$ 212,186	\$ 227,395
Fulfillment	22,314	24,660	64,524	70,543
Technology and infrastructure	21,203	22,245	63,584	64,973
Sales and marketing	10,551	10,609	31,468	30,783
General and administrative	2,561	2,713	8,806	8,496
Other operating expense (income), net	244	262	613	587
Total operating expenses	<u>\$ 131,895</u>	<u>\$ 141,466</u>	<u>\$ 381,181</u>	<u>\$ 402,777</u>
Year-over-year Percentage Growth (Decline):				
Cost of sales	7 %	8 %	4 %	7 %
Fulfillment	8	11	5	9
Technology and infrastructure	9	5	21	2
Sales and marketing	(4)	1	7	(2)
General and administrative	(16)	6	3	(4)
Other operating expense (income), net	48	8	22	(4)
Percent of Net Sales:				
Cost of sales	52.4 %	51.0 %	52.4 %	50.5 %
Fulfillment	15.6	15.5	15.9	15.7
Technology and infrastructure	14.8	14.0	15.7	14.4
Sales and marketing	7.4	6.7	7.8	6.8
General and administrative	1.8	1.7	2.2	1.9
Other operating expense (income), net	0.2	0.2	0.2	0.1

## Cost of Sales

Cost of sales primarily consists of the purchase price of consumer products, inbound and outbound shipping costs, including costs related to sortation and delivery centers and where we are the transportation service provider, and digital media content costs where we record revenue gross, including video and music.

The increase in cost of sales in Q3 2024 and for the nine months ended September 30, 2024, compared to the comparable prior year periods, is primarily due to increased product and shipping costs resulting from increased sales, partially offset by fulfillment network efficiencies, including lower transportation costs. Changes in foreign exchange rates reduced cost of sales by \$196 million for Q3 2024, and by \$1.1 billion for the nine months ended September 30, 2024.

Shipping costs were \$21.8 billion and \$23.5 billion in Q3 2023 and Q3 2024, and \$62.2 billion and \$67.3 billion for the nine months ended September 30, 2023 and 2024. Shipping costs to receive products from our suppliers are included in our inventory and recognized as cost of sales upon sale of products to our customers. We expect our cost of shipping to continue to increase to the extent our customers accept and use our shipping offers at an increasing rate, we use more expensive shipping methods, and we offer additional services. We seek to mitigate costs of shipping over time in part through achieving higher sales volumes, optimizing our fulfillment network, negotiating better terms with our suppliers, and achieving better operating efficiencies. We believe that offering low prices to our customers is fundamental to our future success, and one way we offer lower prices is through shipping offers.

Costs to operate our AWS segment are primarily classified as “Technology and infrastructure” as we leverage a shared infrastructure that supports both our internal technology requirements and external sales to AWS customers.

## Fulfillment

Fulfillment costs primarily consist of those costs incurred in operating and staffing our North America and International fulfillment centers, physical stores, and customer service centers and payment processing costs. While AWS payment processing





and related transaction costs are included in “Fulfillment,” AWS costs are primarily classified as “Technology and infrastructure.” Fulfillment costs as a percentage of net sales may vary due to several factors, such as payment processing and related transaction costs, our level of productivity and accuracy, changes in volume, size, and weight of units received and fulfilled, the extent to which third-party sellers utilize Fulfillment by Amazon services, timing of fulfillment network and physical store expansion, the extent we utilize fulfillment services provided by third parties, mix of products and services sold, and our ability to affect customer service contacts per unit by implementing improvements in our operations and enhancements to our customer self-service features. Additionally, sales by our sellers have higher payment processing and related transaction costs as a percentage of net sales compared to our retail sales because payment processing costs are based on the gross purchase price of underlying transactions.

The increase in fulfillment costs in Q3 2024 and for the nine months ended September 30, 2024 compared to the comparable prior year periods, is primarily due to increased sales and investments in our fulfillment network, partially offset by fulfillment network efficiencies. Changes in foreign exchange rates did not significantly impact fulfillment costs for Q3 2024, but reduced fulfillment costs by \$127 million for the nine months ended September 30, 2024.

We seek to expand our fulfillment network to accommodate a greater selection and in-stock inventory levels and to meet anticipated shipment volumes from sales of our own products as well as sales by third parties for which we provide the fulfillment services. We regularly evaluate our facility requirements.

### *Technology and Infrastructure*

Technology and infrastructure costs include payroll and related expenses for employees involved in the research and development of new and existing products and services, development, design, and maintenance of our stores, curation and display of products and services made available in our online stores, and infrastructure costs. Infrastructure costs include servers, networking equipment, and data center related depreciation and amortization, rent, utilities, and other expenses necessary to support AWS and other Amazon businesses. Collectively, these costs reflect the investments we make in order to offer a wide variety of products and services to our customers, including expenditures related to initiatives to build and deploy innovative and efficient software and electronic devices and the development of a satellite network for global broadband service and autonomous vehicles for ride-hailing services.

We seek to invest efficiently in numerous areas of technology and infrastructure so we may continue to enhance the customer experience and improve our process efficiency through rapid technology developments, while operating at an ever increasing scale. Our technology and infrastructure investment and capital spending projects often support a variety of product and service offerings due to geographic expansion and the cross-functionality of our systems and operations. We expect spending in technology and infrastructure to increase over time as we continue to add employees and infrastructure. These costs are allocated to segments based on usage. The increase in technology and infrastructure costs in Q3 2024 and for the nine months ended September 30, 2024, compared to the comparable prior year periods, is primarily due to an increase in spending on infrastructure, partially offset by a reduction in depreciation and amortization expense from our change in the estimated useful life of our servers and decreased payroll and related costs associated with technical teams responsible for expanding our existing products and services and initiatives to introduce new products and service offerings. Changes in foreign exchange rates did not significantly impact technology and infrastructure costs for Q3 2024, but reduced technology and infrastructure costs by \$166 million for the nine months ended September 30, 2024. We currently expense the majority of the costs associated with the development of our satellite network for global broadband service (including production, launch, and payroll costs, and launch services deposits upon launch). We will capitalize certain of these costs once the service achieves commercial viability, including sales to customers. See Item 7 of Part II, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview” of our 2023 Annual Report on Form 10-K for a discussion of how management views advances in technology and the importance of innovation.

### *Sales and Marketing*

Sales and marketing costs include advertising and payroll and related expenses for personnel engaged in marketing and selling activities, including sales commissions related to AWS. We direct customers to our stores primarily through a number of marketing channels, such as our sponsored search, third-party customer referrals, social and online advertising, television advertising, and other initiatives. Our marketing costs are largely variable, based on growth in sales and changes in rates. To the extent there is increased or decreased competition for these traffic sources, or to the extent our mix of these channels shifts, we would expect to see a corresponding change in our marketing costs.

Sales and marketing costs in Q3 2024 did not significantly change compared to the comparable prior year period. The decrease in sales and marketing costs for the nine months ended September 30, 2024, compared to the comparable prior year period, is primarily due to decreased payroll and related expenses for personnel engaged in marketing and selling activities, partially offset by increased advertising expenses. Changes in foreign exchange rates did not significantly impact sales and marketing costs for Q3 2024, but reduced sales and marketing costs by \$161 million for the nine months ended September 30, 2024.

While costs associated with Amazon Prime membership benefits and other shipping offers are not included in sales and marketing expense, we view these offers as effective worldwide marketing tools, and intend to continue offering them indefinitely.

#### *General and Administrative*

General and administrative costs in Q3 2024 did not significantly change compared to the comparable prior year period. The decrease in general and administrative costs for the nine months ended September 30, 2024, compared to the comparable prior year period, is primarily due to a decrease in payroll and related expenses.

#### *Other Operating Expense (Income), Net*

Other operating expense (income), net was \$244 million and \$262 million for Q3 2023 and Q3 2024, and \$613 million and \$587 million for the nine months ended September 30, 2023 and 2024, and was primarily related to asset impairments and the amortization of intangible assets.

#### *Interest Income and Expense*

Our interest income was \$776 million and \$1.3 billion during Q3 2023 and Q3 2024, and \$2.0 billion and \$3.4 billion for the nine months ended September 30, 2023 and 2024, primarily due to an increase in prevailing rates. We generally invest our excess cash in AAA-rated money market funds and investment grade short- to intermediate-term marketable debt securities. Our interest income corresponds with the average balance of invested funds based on the prevailing rates, which vary depending on the geographies and currencies in which they are invested.

Interest expense was \$806 million and \$603 million during Q3 2023 and Q3 2024, and \$2.5 billion and \$1.8 billion for the nine months ended September 30, 2023 and 2024, and was primarily related to debt and finance leases. See Item 1 of Part I, “Financial Statements — Note 3 — Leases and Note 5 — Debt” for additional information.

#### *Other Income (Expense), Net*

Other income (expense), net was \$1.0 billion and \$(27) million during Q3 2023 and Q3 2024, and \$649 million and \$(2.7) billion for the nine months ended September 30, 2023 and 2024. The primary components of other income (expense), net are related to equity securities valuations and adjustments, equity warrant valuations, and foreign currency. Included in other income (expense), net is a marketable equity securities valuation gain (loss) of \$1.2 billion and \$(348) million in Q3 2023 and Q3 2024, and \$926 million and \$(1.9) billion for the nine months ended September 30, 2023 and 2024, from our equity investment in Rivian.

#### *Income Taxes*

Our income tax provision for the nine months ended September 30, 2023 was \$4.1 billion, which included \$175 million of net discrete tax expense. Our income tax provision for the nine months ended September 30, 2024 was \$6.9 billion, which included \$2.4 billion of net discrete tax benefits primarily attributable to excess tax benefits from stock-based compensation. See Item 1 of Part I, “Financial Statements — Note 7 — Income Taxes” for additional information.

#### **Non-GAAP Financial Measures**

Regulation G, Conditions for Use of Non-GAAP Financial Measures, and other SEC regulations define and prescribe the conditions for use of certain non-GAAP financial information. Our measures of free cash flows and the effect of foreign exchange rates on our consolidated statements of operations meet the definition of non-GAAP financial measures.

We provide multiple measures of free cash flows because we believe these measures provide additional perspective on the impact of acquiring property and equipment with cash and through finance leases and financing obligations.

### Free Cash Flow

Free cash flow is cash flow from operations reduced by “Purchases of property and equipment, net of proceeds from sales and incentives.” The following is a reconciliation of free cash flow to the most comparable GAAP cash flow measure, “Net cash provided by (used in) operating activities,” for the trailing twelve months ended September 30, 2023 and 2024 (in millions):

	Twelve Months Ended September 30,	
	2023	2024
Net cash provided by (used in) operating activities	\$ 71,654	\$ 112,706
Purchases of property and equipment, net of proceeds from sales and incentives	(50,220)	(64,959)
Free cash flow	\$ 21,434	\$ 47,747
Net cash provided by (used in) investing activities	\$ (48,053)	\$ (69,500)
Net cash provided by (used in) financing activities	\$ (9,047)	\$ (15,250)

### Free Cash Flow Less Principal Repayments of Finance Leases and Financing Obligations

Free cash flow less principal repayments of finance leases and financing obligations is free cash flow reduced by “Principal repayments of finance leases” and “Principal repayments of financing obligations.” Principal repayments of finance leases and financing obligations approximates the actual payments of cash for our finance leases and financing obligations. The following is a reconciliation of free cash flow less principal repayments of finance leases and financing obligations to the most comparable GAAP cash flow measure, “Net cash provided by (used in) operating activities,” for the trailing twelve months ended September 30, 2023 and 2024 (in millions):

	Twelve Months Ended September 30,	
	2023	2024
Net cash provided by (used in) operating activities	\$ 71,654	\$ 112,706
Purchases of property and equipment, net of proceeds from sales and incentives	(50,220)	(64,959)
Free cash flow	21,434	47,747
Principal repayments of finance leases	(5,245)	(2,489)
Principal repayments of financing obligations	(260)	(320)
Free cash flow less principal repayments of finance leases and financing obligations	\$ 15,929	\$ 44,938
Net cash provided by (used in) investing activities	\$ (48,053)	\$ (69,500)
Net cash provided by (used in) financing activities	\$ (9,047)	\$ (15,250)

### Free Cash Flow Less Equipment Finance Leases and Principal Repayments of All Other Finance Leases and Financing Obligations

Free cash flow less equipment finance leases and principal repayments of all other finance leases and financing obligations is free cash flow reduced by equipment acquired under finance leases, which is included in “Property and equipment acquired under finance leases, net of remeasurements and modifications,” principal repayments of all other finance lease liabilities, which is included in “Principal repayments of finance leases,” and “Principal repayments of financing obligations.” All other finance lease liabilities and financing obligations consists of property. In this measure, equipment acquired under finance leases is reflected as if these assets had been purchased with cash, which is not the case as these assets have been leased. The following is a reconciliation of free cash flow less equipment finance leases and principal repayments of all other finance leases and financing obligations to the most comparable GAAP cash flow measure, “Net cash provided by (used in) operating activities,” for the trailing twelve months ended September 30, 2023 and 2024 (in millions):

	Twelve Months Ended September 30,	
	2023	2024
Net cash provided by (used in) operating activities	\$ 71,654	\$ 112,706
Purchases of property and equipment, net of proceeds from sales and incentives	(50,220)	(64,959)
Free cash flow	21,434	47,747
Equipment acquired under finance leases (1)	(239)	(492)
Principal repayments of all other finance leases (2)	(694)	(785)
Principal repayments of financing obligations	(260)	(320)
Free cash flow less equipment finance leases and principal repayments of all other finance leases and financing obligations	\$ 20,241	\$ 46,150
Net cash provided by (used in) investing activities	\$ (48,053)	\$ (69,500)
Net cash provided by (used in) financing activities	\$ (9,047)	\$ (15,250)

- (1) For the twelve months ended September 30, 2023 and 2024, this amount relates to equipment included in “Property and equipment acquired under finance leases, net of remeasurements and modifications” of \$748 million and \$620 million.
- (2) For the twelve months ended September 30, 2023 and 2024, this amount relates to property included in “Principal repayments of finance leases” of \$5,245 million and \$2,489 million.

All of these free cash flows measures have limitations as they omit certain components of the overall cash flow statement and do not represent the residual cash flow available for discretionary expenditures. For example, these measures of free cash flows do not incorporate the portion of payments representing principal reductions of debt or cash payments for business acquisitions. Additionally, our mix of property and equipment acquisitions with cash or other financing options may change over time. Therefore, we believe it is important to view free cash flows measures only as a complement to our entire consolidated statements of cash flows.

### *Effect of Foreign Exchange Rates*

Information regarding the effect of foreign exchange rates, versus the U.S. Dollar, on our net sales, operating expenses, and operating income is provided to show reported period operating results had the foreign exchange rates remained the same as those in effect in the comparable prior year period. The effect on our net sales, operating expenses, and operating income from changes in our foreign exchange rates versus the U.S. Dollar is as follows (in millions):

	Three Months Ended September 30,						Nine Months Ended September 30,					
	2023			2024			2023			2024		
	As Reported	Exchange Rate Effect (1)	At Prior Year Rates (2)	As Reported	Exchange Rate Effect (1)	At Prior Year Rates (2)	As Reported	Exchange Rate Effect (1)	At Prior Year Rates (2)	As Reported	Exchange Rate Effect (1)	At Prior Year Rates (2)
Net sales	\$ 143,083	\$ (1,384)	\$ 141,699	\$ 158,877	\$ 233	\$ 159,110	\$ 404,824	\$ 1,337	\$ 406,161	\$ 450,167	\$ 1,438	\$ 451,605
Operating expenses	131,895	(1,252)	130,643	141,466	249	141,715	381,181	1,712	382,893	402,777	1,555	404,332
Operating income	11,188	(132)	11,056	17,411	(16)	17,395	23,643	(375)	23,268	47,390	(117)	47,273

- (1) Represents the change in reported amounts resulting from changes in foreign exchange rates from those in effect in the comparable prior year period for operating results.
- (2) Represents the outcome that would have resulted had foreign exchange rates in the reported period been the same as those in effect in the comparable prior year period for operating results.

## ***Guidance***

We provided guidance on October 31, 2024, in our earnings release furnished on Form 8-K as set forth below. These forward-looking statements reflect Amazon.com's expectations as of October 31, 2024, and are subject to substantial uncertainty. Our results are inherently unpredictable and may be materially affected by many factors, such as fluctuations in foreign exchange rates, changes in global economic and geopolitical conditions and customer demand and spending (including the impact of recessionary fears), inflation, interest rates, regional labor market constraints, world events, the rate of growth of the internet, online commerce, cloud services, and new and emerging technologies, as well as those outlined in Item 1A of Part II, "Risk Factors."

### Fourth Quarter 2024 Guidance

- Net sales are expected to be between \$181.5 billion and \$188.5 billion, or to grow between 7% and 11% compared with fourth quarter 2023. This guidance anticipates an unfavorable impact of approximately 10 basis points from foreign exchange rates.
- Operating income is expected to be between \$16.0 billion and \$20.0 billion, compared with \$13.2 billion in fourth quarter 2023.
- This guidance assumes, among other things, that no additional business acquisitions, restructurings, or legal settlements are concluded.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk for the effect of interest rate changes, foreign currency fluctuations, and changes in the market values of our investments. Information relating to quantitative and qualitative disclosures about market risk is set forth below and in Item 2 of Part I, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources.”

#### ***Interest Rate Risk***

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and our debt. Our long-term debt is carried at amortized cost and fluctuations in interest rates do not impact our consolidated financial statements. However, the fair value of our long-term debt, which pays interest at a fixed rate, will generally fluctuate with movements of interest rates, increasing in periods of declining rates of interest and declining in periods of increasing rates of interest. We generally invest our excess cash in AAA-rated money market funds and investment grade short- to intermediate-term marketable debt securities. Marketable debt securities with fixed interest rates may have their fair market value adversely affected due to a rise in interest rates, and we may suffer losses in principal if forced to sell securities that have declined in market value due to changes in interest rates.

#### ***Foreign Exchange Risk***

During Q3 2024, net sales from our International segment accounted for 23% of our consolidated revenues. Net sales and related expenses generated from our internationally-focused stores, including within Canada and Mexico (which are included in our North America segment), are primarily denominated in the functional currencies of the corresponding stores and primarily include Euros, British Pounds, and Japanese Yen. The results of operations of, and certain of our intercompany balances associated with, our internationally-focused stores and AWS are exposed to foreign exchange rate fluctuations. Upon consolidation, as foreign exchange rates vary, net sales and other operating results may differ materially from expectations, and we may record significant gains or losses on the remeasurement of intercompany balances. For example, as a result of fluctuations in foreign exchange rates throughout the period compared to rates in effect the prior year, International segment net sales in Q3 2024 decreased by \$46 million in comparison with Q3 2023.

We have foreign exchange risk related to foreign-denominated cash, cash equivalents, and marketable securities (“foreign funds”). Based on the balance of foreign funds as of September 30, 2024, of \$19.5 billion, an assumed 5%, 10%, and 20% adverse change to foreign exchange would result in declines of \$975 million, \$1.9 billion, and \$3.9 billion.

We also have foreign exchange risk related to our intercompany balances denominated in various currencies. Based on the intercompany balances as of September 30, 2024, an assumed 5%, 10%, and 20% adverse change to foreign exchange rates would result in losses of \$285 million, \$570 million, and \$1.1 billion, recorded to “Other income (expense), net.”

See Item 2 of Part I, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Effect of Foreign Exchange Rates” for additional information on the effect on reported results of changes in foreign exchange rates.

#### ***Equity Investment Risk***

As of September 30, 2024, our recorded value in equity, equity warrant, and convertible debt investments in public and private companies was \$12.0 billion. Our equity and equity warrant investments in publicly traded companies, which include our equity investment in Rivian, represent \$3.9 billion of our investments as of September 30, 2024, and are recorded at fair value, which is subject to market price volatility. We record our equity warrant investments in private companies at fair value and adjust our equity investments in private companies for observable price changes or impairments. Valuations of private companies are inherently more complex due to the lack of readily available market data. The current global economic conditions provide additional uncertainty. As such, we believe that market sensitivities are not practicable.

**Item 4. Controls and Procedures**

We carried out an evaluation required by the Securities Exchange Act of 1934 (the “1934 Act”), under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the 1934 Act, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the 1934 Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

During the most recent fiscal quarter, there has not occurred any change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

See Item 1 of Part I, “Financial Statements — Note 4 — Commitments and Contingencies — Legal Proceedings.”

### **Item 1A. Risk Factors**

Please carefully consider the following discussion of significant factors, events, and uncertainties that make an investment in our securities risky. The events and consequences discussed in these risk factors could, in circumstances we may or may not be able to accurately predict, recognize, or control, have a material adverse effect on our business, growth, reputation, prospects, financial condition, operating results (including components of our financial results), cash flows, liquidity, and stock price. These risk factors do not identify all risks that we face; our operations could also be affected by factors, events, or uncertainties that are not presently known to us or that we currently do not consider to present significant risks to our operations. In addition to the factors discussed in Item 2 of Part I, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in the risk factors below, global economic and geopolitical conditions and additional or unforeseen circumstances, developments, or events may give rise to or amplify many of the risks discussed below. Many of the risks discussed below also impact our customers, including third-party sellers, which could indirectly have a material adverse effect on us.

#### **Business and Industry Risks**

##### ***We Face Intense Competition***

Our businesses are rapidly evolving and intensely competitive, and we have many competitors across geographies, including cross-border competition, and in different industries, including physical, e-commerce, and omnichannel retail, e-commerce services, web and infrastructure computing services, electronic devices, digital content, advertising, grocery, and transportation and logistics services. Some of our current and potential competitors have greater resources, longer histories, more customers, and/or greater brand recognition, particularly with our newly-launched products and services and in our newer geographic regions. They may secure better terms from vendors, adopt more aggressive pricing, and devote more resources to technology, infrastructure, fulfillment, and marketing.

Competition continues to intensify, including with the development of new business models and the entry of new and well-funded competitors, and as our competitors enter into business combinations or alliances and established companies in other market segments expand to become competitive with our business. In addition, new and enhanced technologies, including search, web and infrastructure computing services, practical applications of artificial intelligence and machine learning, digital content, and electronic devices continue to increase our competition. The internet facilitates competitive entry and comparison shopping, which enhances the ability of new, smaller, or lesser known businesses to compete against us. As a result of competition, our product and service offerings may not be successful, we may fail to gain or may lose business, and we may be required to increase our spending or lower prices, any of which could materially reduce our sales and profits.

##### ***Our Expansion into New Products, Services, Technologies, and Geographic Regions Subjects Us to Additional Risks***

We may have limited or no experience in our newer market segments, and our customers may not adopt our product or service offerings. These offerings, which can present new and difficult technology challenges, may subject us to claims if customers of these offerings experience, or are otherwise impacted by, service disruptions, delays, setbacks, or failures or quality issues. In addition, profitability or other intended benefits, if any, in our newer activities may not meet our expectations, and we may not be successful enough in these newer activities to recoup our investments in them, which investments are often significant. Failure to realize the benefits of amounts we invest in new technologies, products, or services could result in the value of those investments being written down or written off. In addition, our sustainability initiatives may be unsuccessful for a variety of reasons, including if we are unable to realize the expected benefits of new technologies or if we do not successfully plan or execute new strategies, which could harm our business or damage our reputation.

##### ***Our International Operations Expose Us to a Number of Risks***

Our international activities are significant to our revenues and profits, and we plan to further expand internationally. In certain international market segments, we have relatively little operating experience and may not benefit from any first-to-market advantages or otherwise succeed. It is costly to establish, develop, and maintain international operations and stores, and promote our brand internationally. Our international operations may not become profitable on a sustained basis.



In addition to risks described elsewhere in this section, our international sales and operations are subject to a number of risks, including:

- local economic and political conditions;
- government regulation (such as regulation of our product and service offerings and of competition); restrictive governmental actions (such as trade protection measures, including export duties and quotas and custom duties and tariffs, and restrictions around the import and export of certain products, technologies, and components); nationalization; and restrictions on foreign ownership;
- restrictions on sales or distribution of certain products or services and uncertainty regarding liability for products, services, and content, including uncertainty as a result of less internet-friendly legal systems, local laws, lack of legal precedent, and varying rules, regulations, and practices regarding the physical and digital distribution of media products and enforcement of intellectual property rights;
- business licensing or certification requirements, such as for imports, exports, web services, and electronic devices;
- limitations on the repatriation and investment of funds and foreign currency exchange restrictions;
- limited fulfillment and technology infrastructure;
- shorter payable and longer receivable cycles and the resultant negative impact on cash flow;
- laws and regulations regarding privacy, data use, data protection, data security, data localization, network security, consumer protection, payments, advertising, and restrictions on pricing or discounts;
- lower levels of use of the internet;
- lower levels of consumer spending and fewer opportunities for growth compared to the U.S.;
- lower levels of credit card usage and increased payment risk;
- difficulty in staffing, developing, and managing foreign operations as a result of distance, language, and cultural differences;
- different employee/employer relationships and the existence of works councils and labor unions;
- compliance with the U.S. Foreign Corrupt Practices Act and other applicable U.S. and foreign laws prohibiting corrupt payments to government officials and other third parties;
- laws and policies of the U.S. and other jurisdictions affecting trade, foreign investment, loans, and taxes; and
- geopolitical events, including war and terrorism.

As international physical, e-commerce, and omnichannel retail, cloud services, and other services grow, competition will intensify, including through adoption of evolving business models. Local companies may have a substantial competitive advantage because of their greater understanding of, and focus on, the local customer, as well as their more established local brand names. The inability to hire, train, retain, and manage sufficient required personnel may limit our international growth.

The People's Republic of China ("PRC") and India regulate Amazon's and its affiliates' businesses and operations in country through regulations and license requirements that may restrict (i) foreign investment in and operation of the internet, IT infrastructure, data centers, retail, delivery, and other sectors, (ii) internet content, and (iii) the sale of media and other products and services. For example, in order to meet local ownership, regulatory licensing, and cybersecurity requirements, we provide certain technology services in China through contractual relationships with third parties that hold PRC licenses to provide services. In India, the government restricts the ownership or control of Indian companies by foreign entities involved in online multi-brand retail trading activities. For [www.amazon.in](#), we provide certain marketing tools and logistics services to third-party sellers to enable them to sell online and deliver to customers, and we hold an indirect minority interest in an entity that is a third-party seller on the [www.amazon.in](#) marketplace. Although we believe these structures and activities comply with existing laws, they involve unique risks, and the PRC and India may from time to time consider and implement additional changes in their regulatory, licensing, or other requirements that could impact these structures and activities. There are substantial uncertainties regarding the interpretation of PRC and Indian laws and regulations, and it is possible that these governments will ultimately take a view contrary to ours. In addition, our Chinese and Indian businesses and operations may be unable to continue to operate if we or our affiliates are unable to access sufficient funding or, in China, enforce contractual relationships we or our affiliates have in place. Violation of any existing or future PRC, Indian, or other laws or regulations or changes in the interpretations of those laws and regulations could result in our businesses in those countries being subject to fines and other financial penalties, having licenses revoked, or being forced to restructure our operations or shut down entirely.

In addition, because China-based sellers account for significant portions of our third-party seller services and advertising revenues, and China-based suppliers provide significant portions of our components and finished goods, regulatory and trade

restrictions, data protection and cybersecurity laws, economic factors, geopolitical events, security issues, or other factors negatively impacting China-based sellers and suppliers could adversely affect our operating results.

### ***The Variability in Our Retail Business Places Increased Strain on Our Operations***

Demand for our products and services can fluctuate significantly for many reasons, including as a result of seasonality, promotions, product launches, or unforeseeable events, such as in response to global economic conditions such as recessionary fears or rising inflation, natural or human-caused disasters (including public health crises) or extreme weather (including as a result of climate change), or geopolitical events. For example, we expect a disproportionate amount of our retail sales to occur during our fourth quarter. Our failure to stock or restock popular products in sufficient amounts such that we fail to meet customer demand could significantly affect our revenue and our future growth. When we overstock products, we may be required to take significant inventory markdowns or write-offs and incur commitment costs, which could materially reduce profitability. We regularly experience increases in our net shipping cost due to complimentary upgrades, split-shipments, and additional long-zone shipments necessary to ensure timely delivery for the holiday season. If too many customers access our websites within a short period of time due to increased demand, we may experience system interruptions that make our websites unavailable or prevent us from efficiently fulfilling orders, which may reduce the volume of goods we offer or sell and the attractiveness of our products and services. In addition, we may be unable to adequately staff our fulfillment network and customer service centers during these peak periods and delivery and other fulfillment companies and customer service co-sourcers may be unable to meet the seasonal demand. Risks described elsewhere in this Item 1A relating to fulfillment network optimization and inventory are magnified during periods of high demand.

As a result of holiday sales, as of December 31 of each year, our cash, cash equivalents, and marketable securities balances typically reach their highest level (other than as a result of cash flows provided by or used in investing and financing activities) because consumers primarily use credit cards in our stores and the related receivables settle quickly. Typically, there is also a corresponding increase in accounts payable as of December 31 due to inventory purchases and third-party seller sales. Our accounts payable balance generally declines during the first three months of the year as vendors and sellers are paid, resulting in a corresponding decline in our cash, cash equivalents, and marketable securities balances.

### ***We Are Impacted by Fraudulent or Unlawful Activities of Sellers***

The law relating to the liability of online service providers is currently unsettled. In addition, governmental agencies have in the past and could in the future require changes in the way this business is conducted. Under our seller programs, we maintain policies and processes designed to prevent sellers from collecting payments, fraudulently or otherwise, when buyers never receive the products they ordered or when the products received are materially different from the sellers' descriptions, and to prevent sellers in our stores or through other stores from selling unlawful, counterfeit, pirated, or stolen goods, selling goods in an unlawful or unethical manner, violating the proprietary rights of others, or otherwise violating our policies. When these policies and processes are circumvented or fail to operate sufficiently, it can harm our business or damage our reputation and we could face civil or criminal liability for unlawful activities by our sellers. Under our A-to-z Guarantee, we may reimburse customers for payments up to certain limits in these situations, and as our third-party seller sales grow, the cost of this program will increase and could negatively affect our operating results.

### ***We Face Risks Related to Adequately Protecting Our Intellectual Property Rights and Being Accused of Infringing Intellectual Property Rights of Third Parties***

We regard our trademarks, service marks, copyrights, patents, trade dress, trade secrets, proprietary technology, and similar intellectual property as critical to our success, and we rely on trademark, copyright, and patent law, trade secret protection, and confidentiality and/or license agreements with our employees, customers, and others to protect our proprietary rights. Effective intellectual property protection is not available in every country in which our products and services are made available. We also may not be able to acquire or maintain appropriate domain names in all countries in which we do business. Furthermore, regulations governing domain names may not protect our trademarks and similar proprietary rights. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights.

We are not always able to discover or determine the extent of any unauthorized use of our proprietary rights. Actions taken by third parties that license our proprietary rights may materially diminish the value of our proprietary rights or reputation. The protection of our intellectual property requires the expenditure of significant financial and managerial resources. Moreover, the steps we take to protect our intellectual property do not always adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or other intellectual property rights.

We have been subject to, and expect to continue to be subject to, claims and legal proceedings regarding alleged infringement by us of the intellectual property rights of third parties. Such claims, whether or not meritorious, have in the past,

and may in the future, result in the expenditure of significant financial and managerial resources, injunctions against us, or significant payments for damages, including to satisfy indemnification obligations or to obtain licenses from third parties who allege that we have infringed their rights. Such licenses may not be available on terms acceptable to us or at all. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims. In addition, our and our customers' use of artificial intelligence may result in increased claims of infringement or other claims, including those based on unauthorized use of third-party technology or content.

Our digital content offerings depend in part on effective digital rights management technology to control access to digital content. Breach or malfunctioning of the digital rights management technology that we use could subject us to claims, and content providers may be unwilling to include their content in our service.

### ***We Have Foreign Exchange Risk***

The results of operations of, and certain of our intercompany balances associated with, our international stores and product and service offerings are exposed to foreign exchange rate fluctuations. Due to these fluctuations, operating results may differ materially from expectations, and we may record significant gains or losses on the remeasurement of intercompany balances. As we have expanded our international operations, our exposure to exchange rate fluctuations has increased. We also hold cash equivalents and/or marketable securities in foreign currencies such as British Pounds, Canadian Dollars, Euros, and Japanese Yen. When the U.S. Dollar strengthens compared to these currencies, cash equivalents, and marketable securities balances, when translated, may be materially less than expected and vice versa.

## **Operating Risks**

### ***Our Expansion Places a Significant Strain on our Management, Operational, Financial, and Other Resources***

We are continuing to rapidly and significantly expand our global operations, including increasing our product and service offerings and scaling our infrastructure to support our retail and services businesses. The complexity of the current scale of our business can place significant strain on our management, personnel, operations, systems, technical performance, financial resources, and internal financial control and reporting functions, and our expansion increases these factors. Failure to manage growth effectively could damage our reputation, limit our growth, and negatively affect our operating results.

### ***We Experience Significant Fluctuations in Our Operating Results and Growth Rate***

We are not always able to accurately forecast our growth rate. We base our expense levels and investment plans on sales estimates. A significant portion of our expenses and investments is fixed, and we are not always able to adjust our spending quickly enough if our sales are less than expected.

Our revenue growth may not be sustainable, and our percentage growth rates may decrease. Our revenue and operating profit growth depends on the continued growth of demand for the products and services offered by us or our sellers, and our business is affected by, among other things, general economic, business, and geopolitical conditions worldwide. A softening of demand, whether caused by changes in customer preferences or a weakening of the U.S. or global economies, may result in decreased revenue or growth.

Our sales and operating results will also fluctuate for many other reasons, including due to factors described elsewhere in this section and the following:

- our ability to retain and increase sales to existing customers, attract new customers, and satisfy our customers' demands;
- our ability to retain and expand our network of sellers;
- our ability to offer products on favorable terms, manage inventory, and fulfill orders;
- the introduction of competitive stores, websites, products, services, price decreases, or improvements;
- changes in usage or adoption rates of the internet, e-commerce, electronic devices, and web services, including outside the U.S.;
- timing, effectiveness, and costs of expansion and upgrades of our systems and infrastructure;
- the success of our geographic, service, and product line expansions;
- the extent to which we finance, and the terms of any such financing for, our current operations and future growth;
- the outcomes of legal proceedings and claims, which may include significant monetary damages or injunctive relief and could have a material adverse impact on our operating results;
- variations in the mix of products and services we sell;

- variations in our level of merchandise and vendor returns;
- the extent to which we offer fast and free delivery, continue to reduce prices worldwide, and provide additional benefits to our customers;
- factors affecting our reputation or brand image (including any actual or perceived inability to achieve our goals or commitments, whether related to sustainability, customers, employees, or other topics), and public perceptions regarding social or ethical issues related to our development and use of artificial intelligence and machine learning technologies, products, and services;
- the extent to which we invest in technology and infrastructure, fulfillment, and other expense categories;
- availability of and increases in the prices of transportation (including fuel), resources such as land, water, and energy, commodities like paper and packing supplies and hardware products, and technology infrastructure products, including as a result of inflationary pressures;
- constrained labor markets, which increase our payroll costs;
- the extent to which operators of the networks between our customers and our stores successfully charge fees to grant our customers unimpaired and unconstrained access to our online services;
- our ability to collect amounts owed to us when they become due;
- the extent to which new and existing technologies, or industry trends, restrict online advertising or affect our ability to customize advertising or otherwise tailor our product and service offerings;
- the extent to which use of our services is affected by spyware, viruses, phishing and other spam emails, denial of service attacks, data theft, computer intrusions, outages, and similar events;
- the extent to which we fail to maintain our unique culture of innovation, customer obsession, and long-term thinking, which has been critical to our growth and success;
- disruptions from natural or human-caused disasters (including public health crises) or extreme weather (including as a result of climate change), geopolitical events and security issues (including terrorist attacks, armed hostilities, and political conflicts, including those involving China), labor or trade disputes (including restrictive governmental actions impacting us, our customers, and our third-party sellers and suppliers in China or other foreign countries), and similar events; and
- potential negative impacts of climate change, including: increased operating costs due to more frequent extreme weather events or climate-related changes, such as rising temperatures and water scarcity; increased investment requirements associated with the transition to a low-carbon economy; decreased demand for our products and services as a result of changes in customer behavior; increased compliance costs due to more extensive and global regulations and third-party requirements; and reputational damage resulting from perceptions of our environmental impact.

### ***We Face Risks Related to Successfully Optimizing and Operating Our Fulfillment Network and Data Centers***

Failures to adequately predict customer demand and consumer spending patterns or otherwise optimize and operate our fulfillment network and data centers successfully from time to time result in excess or insufficient fulfillment or data center capacity, service interruptions, increased costs, and impairment charges, any of which could materially harm our business. As we continue to add fulfillment and data center capability or add new businesses with different requirements, our fulfillment and data center networks become increasingly complex and operating them becomes more challenging. There can be no assurance that we will be able to operate our networks effectively.

In addition, failure to optimize inventory management or staffing in our fulfillment network increases our net shipping cost by increasing the distance products are shipped and reducing the number of units per shipment or delivery. We and our co-sourcers may be unable to adequately staff our fulfillment network and customer service centers. For example, productivity across our fulfillment network is affected by regional labor market constraints, which increase payroll costs and make it difficult to hire, train, and deploy a sufficient number of people to operate our fulfillment network as efficiently as we would like.

Under some of our commercial agreements, we maintain the inventory of other companies, thereby increasing the complexity of tracking inventory and operating our fulfillment network. Our failure to adequately predict seller demand for storage or to properly handle such inventory or the inability of the other businesses on whose behalf we perform inventory fulfillment services to accurately forecast product demand may result in us being unable to secure sufficient storage space or to optimize our fulfillment network or cause other unexpected costs and other harm to our business and reputation.

We rely on a limited number of shipping companies to deliver inventory to us and completed orders to our customers. An inability to negotiate acceptable terms with these companies or performance problems, staffing limitations, or other difficulties experienced by these companies or by our own transportation systems, including as a result of labor market constraints and related costs, could negatively impact our operating results and customer experience. In addition, our ability to receive inbound inventory efficiently and ship completed orders to customers also may be negatively affected by natural or human-caused disasters (including public health crises) or extreme weather (including as a result of climate change), geopolitical events and security issues, labor or trade disputes, and similar events.

***We Could Be Harmed by Data Loss or Other Security Breaches***

Because we collect, process, store, and transmit large amounts of data, including confidential, classified, sensitive, proprietary, and business and personal information, failure to prevent or mitigate data loss, theft, misuse, unauthorized access, or other security breaches or vulnerabilities affecting our or our vendors' or customers' technology, products, and systems, could: expose us or our customers to a risk of loss, disclosure, or misuse of such information; adversely affect our operating results; result in litigation, liability, or regulatory action (including under laws related to privacy, data use, data protection, data security, network security, and consumer protection); deter customers or sellers from using our stores, products, and services; and otherwise harm our business and reputation. We use third-party technology and systems for a variety of reasons, including, without limitation, encryption and authentication technology, employee email, content delivery to customers, back-office support, and other functions. Some of our systems have experienced past security breaches, and, although they did not have a material adverse effect on our operating results, there can be no assurance that future incidents will not have material adverse effects on our operations or financial results. Although we have developed systems and processes that are designed to protect customer data and prevent such incidents, including systems and processes designed to reduce the impact of a security breach at a third-party vendor or customer, such measures cannot provide absolute security and may fail to operate as intended or be circumvented.

***We Face Risks Related to System Interruption and Lack of Redundancy***

We experience occasional system interruptions and delays that make our websites and services unavailable or slow to respond and prevent us from efficiently accepting or fulfilling orders or providing services to customers and third parties, which may reduce our net sales and the attractiveness of our products and services. Steps we take to add software and hardware, upgrade our systems and network infrastructure, and improve the stability and efficiency of our systems may not be sufficient to avoid system interruptions or delays that could adversely affect our operating results.

Our computer and communications systems and operations in the past have been, or in the future could be, damaged or interrupted due to events such as natural or human-caused disasters (including public health crises) or extreme weather (including as a result of climate change), geopolitical events and security issues (including terrorist attacks and armed hostilities), computer viruses, physical or electronic break-ins, operational failures (including from energy shortages), and similar events or disruptions. Any of these events could cause system interruption, delays, and loss of critical data, and could prevent us from accepting and fulfilling customer orders and providing services, which could make our product and service offerings less attractive and subject us to liability. Our systems are not fully redundant and our disaster recovery planning may not be sufficient. In addition, our insurance may not provide sufficient coverage to compensate for related losses. Any of these events could damage our reputation and be expensive to remedy.

***The Loss of Key Senior Management Personnel or the Failure to Hire and Retain Highly Skilled and Other Personnel Could Negatively Affect Our Business***

We depend on our senior management and other key personnel, including our President and CEO. We do not have "key person" life insurance policies. We also rely on other highly skilled personnel. Competition for qualified personnel in the industries in which we operate, as well as senior management, has historically been intense. For example, we experience significant competition in the technology industry, particularly for software engineers, computer scientists, and other technical staff. In addition, changes we make to our current and future work environments may not meet the needs or expectations of our employees or may be perceived as less favorable compared to other companies' policies, which could negatively impact our ability to hire and retain qualified personnel. The loss of any of our executive officers or other key employees, the failure to successfully transition key roles, or the inability to hire, train, retain, and manage qualified personnel, could harm our business.

We also rely on a significant number of personnel to operate our stores, fulfillment network, and data centers and carry out our other operations. Failure to successfully hire, train, manage, and retain sufficient personnel to meet our needs can strain our operations, increase payroll and other costs, and harm our business and reputation. In addition, changes in laws and regulations applicable to employees, independent contractors, and temporary personnel could increase our payroll costs, decrease our operational flexibility, and negatively impact how we are able to staff our operations and supplement our workforce.



We are also subject to labor union efforts to organize groups of our employees from time to time. These organizational efforts, if successful, decrease our operational flexibility, which could adversely affect our operating efficiency. In addition, our response to any organizational efforts could be perceived negatively and harm our business and reputation.

***Our Supplier Relationships Subject Us to a Number of Risks***

We have significant suppliers, including content and technology licensors, and in some cases, limited or single-sources of supply, that are important to our sourcing, services, manufacturing, and any related ongoing servicing of merchandise and content. We do not have long-term arrangements with most of our suppliers to guarantee availability of merchandise, content, components, or services, particular payment terms, or the extension of credit limits. Decisions by our current suppliers to limit or stop selling or licensing merchandise, content, components, or services to us on acceptable terms, or delay delivery, including as a result of one or more supplier bankruptcies due to poor economic conditions, as a result of natural or human-caused disasters (including public health crises) or geopolitical events, or for other reasons, may result in our being unable to procure alternatives from other suppliers in a timely and efficient manner and on acceptable terms, or at all. For example, we rely on a limited group of suppliers for semiconductor products, including products related to artificial intelligence infrastructure such as graphics processing units. Constraints on the availability of these products could adversely affect our ability to develop and operate artificial intelligence technologies, products, or services. In addition, violations by our suppliers or other vendors of applicable laws, regulations, contractual terms, intellectual property rights of others, or our Supply Chain Standards, as well as products or practices regarded as unethical, unsafe, or hazardous, could expose us to claims, damage our reputation, limit our growth, and negatively affect our operating results.

***Our Commercial Agreements, Strategic Alliances, and Other Business Relationships Expose Us to Risks***

We provide physical, e-commerce, and omnichannel retail, cloud services, and other services to businesses through commercial agreements, strategic alliances, and business relationships. Under these agreements, we provide web services, technology, fulfillment, computing, digital storage, and other services, as well as enable sellers to offer products or services through our stores. These arrangements are complex and require substantial infrastructure capacity, personnel, and other resource commitments, which may limit the amount of business we can service. We may not be able to implement, maintain, and develop the components of these commercial relationships, which may include web services, fulfillment, customer service, inventory management, tax collection, payment processing, hardware, content, and third-party software, and engaging third parties to perform services. The amount of compensation we receive under certain of our commercial agreements is partially dependent on the volume of the other company's sales. Therefore, when the other company's offerings are not successful, the compensation we receive may be lower than expected or the agreement may be terminated. Moreover, we may not be able to enter into additional or alternative commercial relationships and strategic alliances on favorable terms. We also may be subject to claims from businesses to which we provide these services if we are unsuccessful in implementing, maintaining, or developing these services.

As our agreements terminate, we may be unable to renew or replace these agreements on comparable terms, or at all. We may in the future enter into amendments on less favorable terms or encounter parties that have difficulty meeting their contractual obligations to us, which could adversely affect our operating results.

Our present and future commercial agreements, strategic alliances, and business relationships create additional risks such as:

- disruption of our ongoing business, including loss of management focus on existing businesses;
- impairment of other relationships;
- variability in revenue and income from entering into, amending, or terminating such agreements or relationships; and
- difficulty integrating under the commercial agreements.

***Our Business Suffers When We Are Unsuccessful in Making, Integrating, and Maintaining Acquisitions and Investments***

We have acquired and invested in a number of companies, and we may in the future acquire or invest in or enter into joint ventures with additional companies. These transactions involve risks such as:

- disruption of our ongoing business, including loss of management focus on existing businesses;
- problems retaining key personnel;
- additional operating losses and expenses of the businesses we acquired or in which we invested;
- the potential impairment of tangible and intangible assets and goodwill, including as a result of acquisitions;

- the potential impairment of customer and other relationships of the company we acquired or in which we invested or our own customers as a result of any integration of operations;
- the difficulty of completing such transactions, including obtaining regulatory approvals or satisfying other closing conditions, and achieving anticipated benefits within expected timeframes, or at all;
- the difficulty of incorporating acquired operations, technology, and rights into our offerings, and unanticipated expenses related to such integration;
- the difficulty of integrating a new company's accounting, financial reporting, management, information and data security, human resource, and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not successfully implemented;
- losses we may incur as a result of declines in the value of an investment or as a result of incorporating an investee's financial performance into our financial results;
- for investments in which an investee's financial performance is incorporated into our financial results, either in full or in part, or investments for which we are required to file financial statements or provide financial information, the dependence on the investee's accounting, financial reporting, and similar systems, controls, and processes;
- the difficulty of implementing at companies we acquire the controls, procedures, and policies appropriate for a larger public company;
- the risks associated with businesses we acquire or invest in, which may differ from or be more significant than the risks our other businesses face;
- potential unknown liabilities associated with a company we acquire or in which we invest; and
- for foreign transactions, additional risks related to the integration of operations across different cultures and languages, and the economic, political, and regulatory risks associated with specific countries.

As a result of future acquisitions or mergers, we might need to issue additional equity securities, spend our cash, or incur debt, contingent liabilities, or amortization expenses related to intangible assets, any of which could reduce our profitability and harm our business or only be available on unfavorable terms, if at all. In addition, valuations supporting our acquisitions and strategic investments could change rapidly. We could determine that such valuations have experienced impairments or other-than-temporary declines in fair value which could adversely impact our financial results.

### ***We Face Significant Inventory Risk***

In addition to risks described elsewhere in this Item 1A relating to fulfillment network and inventory optimization by us and third parties, we are exposed to significant inventory risks that may adversely affect our operating results as a result of seasonality, new product launches, rapid changes in product cycles and pricing, defective merchandise, changes in customer demand and consumer spending patterns, changes in consumer tastes with respect to our products, spoilage, and other factors. We endeavor to accurately predict these trends and avoid overstocking or understocking products we manufacture and/or sell. Demand for products, however, can change significantly between the time inventory or components are ordered and the date of sale. In addition, when we begin selling or manufacturing a new product or offering a new service, it may be difficult to establish vendor relationships, determine appropriate product or component selection, and accurately forecast demand. The acquisition of certain types of inventory or components requires significant lead-time and prepayment and they may not be returnable. We carry a broad selection and significant inventory levels of certain products, such as consumer electronics, and at times we are unable to sell products in sufficient quantities or to meet demand during the relevant selling seasons. Any one of the inventory risk factors set forth above may adversely affect our operating results.

### ***We Are Subject to Payments-Related Risks***

We accept payments using a variety of methods, including credit card, debit card, credit accounts (including promotional financing), gift cards, direct debit from a customer's bank account, consumer invoicing, physical bank check, and payment upon delivery. For existing and future payment options we offer to our customers, we currently are subject to, and may become subject to additional, regulations and compliance requirements (including obligations to implement enhanced authentication processes that could result in significant costs and reduce the ease of use of our payments products), as well as fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide certain Amazon-branded payment methods and payment processing services, including the processing of credit cards, debit cards, electronic checks, and promotional financing. In each case, it could disrupt our business if these companies become unwilling or unable to provide these services to us. We also offer co-branded credit card programs, which could adversely affect our operating results if renewed on less favorable terms or terminated. We are also subject to payment card association operating rules, including data

security rules, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. Failure to comply with these rules or requirements, as well as any breach, compromise, or failure to otherwise detect or prevent fraudulent activity involving our data security systems, could result in our being liable for card issuing banks' costs, subject to fines and higher transaction fees, and loss of our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments, and our business and operating results could be adversely affected.

In addition, we provide regulated services in certain jurisdictions because we enable customers to keep account balances with us and transfer money to third parties, and because we provide services to third parties to facilitate payments on their behalf. Jurisdictions subject us to requirements for licensing, regulatory inspection, bonding and capital maintenance, the use, handling, and segregation of transferred funds, consumer disclosures, maintaining or processing data, and authentication. We are also subject to or voluntarily comply with a number of other laws and regulations relating to payments, money laundering, international money transfers, privacy, data use, data protection, data security, data localization, network security, consumer protection, and electronic fund transfers. If we were found to be in violation of applicable laws or regulations, we could be subject to additional requirements and civil and criminal penalties, or forced to cease providing certain services.

### ***We Have a Rapidly Evolving Business Model and Our Stock Price Is Highly Volatile***

We have a rapidly evolving business model. The trading price of our common stock fluctuates significantly in response to, among other risks, the risks described elsewhere in this Item 1A, as well as:

- changes in interest rates;
- conditions or trends in the internet and the industry segments we operate in;
- quarterly variations in operating results;
- fluctuations in the stock market in general and market prices for internet-related companies in particular;
- changes in financial estimates by us or decisions to increase or decrease future spending or investment levels;
- changes in financial estimates and recommendations by securities analysts;
- changes in our capital structure, including issuance of additional debt or equity to the public;
- changes in the valuation methodology of, or performance by, other e-commerce or technology companies; and
- transactions in our common stock by major investors and certain analyst reports, news, and speculation.

Volatility in our stock price could adversely affect our business and financing opportunities and force us to increase our cash compensation to employees or grant larger stock awards than we have historically, which could hurt our operating results or reduce the percentage ownership of our existing stockholders, or both.

## **Legal and Regulatory Risks**

### ***Government Regulation Is Evolving and Unfavorable Changes Could Harm Our Business***

We are subject to general business regulations and laws, as well as regulations and laws specifically governing the internet, physical, e-commerce, and omnichannel retail, digital content, web services, electronic devices, advertising, artificial intelligence technologies and services, and other products and services that we offer or sell. These regulations and laws cover taxation, privacy, data use, data protection, data security, data localization, network security, consumer protection, pricing, content, copyrights, distribution, transportation, mobile communications, electronic device certification, electronic waste, energy consumption, environmental and climate-related regulation, electronic contracts and other communications, competition, employment, trade and protectionist measures, web services, the provision of online payment services, registration, licensing, and information reporting requirements, unencumbered internet access to our services or access to our facilities, the design and operation of websites, health, safety, and sanitation standards, the characteristics, legality, and quality of products and services, product labeling, the commercial operation of unmanned aircraft systems, healthcare, and other matters. It is not clear how existing laws governing issues such as property ownership, libel, privacy, data use, data protection, data security, data localization, network security, and consumer protection apply to aspects of our operations such as the internet, e-commerce, digital content, web services, electronic devices, advertising, and artificial intelligence technologies and services. A large number of jurisdictions regulate our operations, and the extent, nature, and scope of such regulations is evolving and expanding as the scope of our businesses expand. We are regularly subject to formal and informal reviews, investigations, and other proceedings by governments and regulatory authorities under existing laws, regulations, or interpretations or pursuing new and novel approaches to regulate our operations. For example, we face a number of open investigations based on claims that aspects of our operations infringe competition or consumer protection rules, including aspects of Amazon's operation of its stores including its fulfillment network and Prime, Amazon's acquisitions, and certain aspects of AWS's offering of cloud services.



We strongly dispute these claims and intend to defend ourselves vigorously in these investigations. Similarly, we face investigations under a growing patchwork of laws and regulations governing the collection, use, and disclosure of data, the interpretation of which continues to evolve, leading to uncertainty about how regulators will view our privacy practices. In addition, regulators and lawmakers are increasingly focused on controlling additional aspects of the operations of technology companies and companies they have characterized to be online “gatekeepers” through the application of existing regulations and laws and the adoption of new regulations and laws, which increases our compliance costs and limits the operation of our business. Unfavorable regulations, laws, decisions, or interpretations by government or regulatory authorities applying those laws and regulations, or inquiries, investigations, or enforcement actions threatened or initiated by them, could cause us to incur substantial costs, expose us to unanticipated civil and criminal liability or penalties (including substantial monetary fines), diminish the demand for, or availability of, our products and services, increase our cost of doing business, require us to change our business practices in a manner materially adverse to our business, damage our reputation, impede our growth, or otherwise have a material effect on our operations. The media, political, and regulatory scrutiny we face, which may continue to increase, amplifies these risks.

***Claims, Litigation, Government Investigations, and Other Proceedings May Adversely Affect Our Business and Results of Operations***

As an innovative company offering a wide range of consumer and business products and services around the world, we are regularly subject to actual and threatened claims, litigation, reviews, investigations, and other proceedings, including proceedings by governments and regulatory authorities, involving a wide range of issues, including patent and other intellectual property matters, taxes, labor and employment (including the characterization of delivery drivers), competition and antitrust, privacy, data use, data protection, data security, data localization, network security, consumer protection, commercial disputes, goods and services offered by us and by third parties (including artificial intelligence technologies and services), and other matters. The number and scale of these proceedings have increased over time as our businesses have expanded in scope and geographic reach, as our products, services, and operations have become more complex and available to, and used by, more people, and as governments and regulatory authorities seek to regulate us on a pre-emptive basis. For example, we are litigating a number of matters alleging price fixing, monopolization, and consumer protection claims, including those brought by state attorneys general and the Federal Trade Commission. Any of these types of proceedings can have an adverse effect on us because of legal costs, disruption of our operations, diversion of management resources, negative publicity, and other factors. The outcomes of these matters are inherently unpredictable and subject to significant uncertainties. Determining legal reserves or possible losses from such matters involves judgment and may not reflect the full range of uncertainties and unpredictable outcomes. Until the final resolution of such matters, we may be exposed to losses in excess of the amount recorded, and such amounts could be material. Should any of our estimates and assumptions change or prove to have been incorrect, it could have a material effect on our business, consolidated financial position, results of operations, or cash flows. In addition, it is possible that a resolution of one or more such proceedings, including as a result of a settlement, could involve licenses, sanctions, consent decrees, or orders requiring us to make substantial future payments, preventing us from offering certain products or services, requiring us to change our business practices in a manner materially adverse to our business, requiring development of non-infringing or otherwise altered products or technologies, damaging our reputation, or otherwise having a material effect on our operations.

***We Are Subject to Product Liability Claims When People or Property Are Harmed by the Products We Sell or Manufacture***

Some of the products we sell or manufacture expose us to product liability or food safety claims relating to personal injury or illness, death, or environmental or property damage, and can require product recalls or other actions. Third parties who sell products using our services and stores also expose us to product liability claims. Additionally, under our A-to-z Guarantee, we may reimburse customers for certain product liability claims up to certain limits in these situations, and as our third-party seller sales grow, the cost of this program will increase and could negatively affect our operating results. Although we maintain liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. Although we impose contractual terms on sellers that are intended to prohibit sales of certain type of products, we may not be able to detect, enforce, or collect sufficient damages for breaches of such agreements. In addition, some of our agreements with our vendors and sellers do not indemnify us from product liability.

***We Face Additional Tax Liabilities and Collection Obligations***

We are subject to a variety of taxes and tax collection obligations in the U.S. (federal and state) and numerous foreign jurisdictions. We may recognize additional tax expense and be subject to additional tax liabilities, including other liabilities for tax collection obligations due to changes in laws, regulations, administrative practices, principles, and interpretations related to tax, including changes to the global tax framework, competition, and other laws and accounting rules in various jurisdictions.

Such changes could come about as a result of economic, political, and other conditions. An increasing number of jurisdictions are considering or have adopted laws or administrative practices that impose new tax measures, including revenue-based taxes, targeting online commerce and the remote selling of goods and services. These include new obligations to withhold or collect sales, consumption, value added, or other taxes on online marketplaces and remote sellers, or other requirements that may result in liability for third party obligations. For example, non-U.S. jurisdictions have proposed or enacted taxes on online advertising and marketplace service revenues. Proliferation of these or similar unilateral tax measures may continue unless broader international tax reform is implemented. In addition, the European Union and other countries (including those in which we operate) have enacted or have committed to enact global minimum taxes, which may increase our tax expense.

Our results of operations and cash flows could be adversely affected by additional taxes imposed on us prospectively or retroactively or additional taxes or penalties resulting from the failure to comply with any collection obligations or failure to provide information about our customers, suppliers, and other third parties for tax reporting purposes to various government agencies. In some cases we also may not have sufficient notice to enable us to build systems and adopt processes to properly comply with new reporting or collection obligations by the effective date.

Our tax expense and liabilities are also affected by other factors, such as changes in our business operations, acquisitions, investments, entry into new businesses and geographies, intercompany transactions, the relative amount of our foreign earnings, losses incurred in jurisdictions for which we are not able to realize related tax benefits, the applicability of special or extraterritorial tax regimes, changes in foreign exchange rates, changes in our stock price, changes to our forecasts of income and loss and the mix of jurisdictions to which they relate, and changes in our tax assets and liabilities and their valuation. In the ordinary course of our business, there are many transactions and calculations for which the ultimate tax determination is uncertain. Significant judgment is required in evaluating and estimating our tax expense, assets, and liabilities.

We are also subject to tax controversies in various jurisdictions that can result in tax assessments against us. Developments in an audit, investigation, or other tax controversy can have a material effect on our operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods. Due to the inherent complexity and uncertainty of these matters, interpretations of certain tax laws by authorities, and judicial, administrative, and regulatory processes in certain jurisdictions, the final outcome of any such controversy may be materially different from our expectations. For example, the Indian tax authority has asserted that tax applies to cloud services fees paid to Amazon in the U.S. We are contesting this position; however, if this matter is adversely resolved, we may be required to pay additional amounts with respect to current and prior periods and our taxes in the future could increase. We regularly assess the likelihood of an adverse outcome resulting from these proceedings to determine the adequacy of our tax accruals. Although we believe our tax estimates are reasonable, the final outcome of audits, investigations, and any other tax controversies could be materially different from our historical tax accruals.

#### ***We Are Subject to Risks Related to Government Contracts and Related Procurement Regulations***

Our contracts with U.S., as well as state, local, and foreign, government entities are subject to various procurement regulations and other requirements relating to their formation, administration, and performance. We are subject to audits and investigations relating to our government contracts, and any violations could result in various civil and criminal penalties and administrative sanctions, including termination of contract, refunding or suspending of payments, forfeiture of profits, payment of fines, and suspension or debarment from future government business. In addition, some of these contracts are subject to periodic funding approval and/or provide for termination by the government at any time, without cause.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

*2024 Revolving Credit Agreement*

The information set forth below is included for the purpose of providing disclosure under “Item 1.01 — Entry into a Material Definitive Agreement,” “Item 1.02 — Termination of a Material Definitive Agreement,” and “Item 2.03 — Creation of a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement of a Registrant” of Form 8-K.

On October 30, 2024, Amazon.com, Inc. (the “Company”), Citibank N.A., as administrative agent, and the lenders party thereto entered into a 364-day revolving credit agreement (the “2024 Short-Term Credit Agreement”). The 2024 Short-Term Credit Agreement replaces the prior \$5.0 billion 364-day revolving credit agreement entered into by the Company, Citibank, N.A., and other lenders on November 1, 2023, which was terminated on October 30, 2024. The 2024 Short-Term Credit Agreement provides the Company with an unsecured revolving credit facility with a borrowing capacity of up to \$5.0 billion. The term of the 2024 Short-Term Credit Agreement is 364 days, but it may be extended for an additional period of 364 days subject to approval by the lenders.

The interest rate applicable to outstanding balances under the 2024 Short-Term Credit Agreement is the applicable benchmark rate specified in the agreement plus 0.45%, with a commitment fee of 0.03% on the undrawn portion of the credit facility.

Borrowings under the 2024 Short-Term Credit Agreement will be used for general corporate purposes, including backstopping any notes that the Company may issue under its commercial paper program.

The 2024 Short-Term Credit Agreement contains customary representations and warranties, covenants, and events of default, but does not contain financial covenants. Upon an event of default that is not cured within the applicable grace periods or waived, any unpaid amounts under the 2024 Short-Term Credit Agreement may be declared immediately due and payable and the commitments may be terminated.

The financial institutions party to the 2024 Short-Term Credit Agreement and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage, and other financial and non-financial activities and services. Certain of these financial institutions and their respective affiliates have provided, and may in the future provide, a variety of these services to the Company and to persons and entities with relationships with the Company, for which they received or will receive customary fees and expenses.

The foregoing description of the 2024 Short-Term Credit Agreement is qualified in its entirety by the terms of such agreement, which is filed hereto as Exhibit 10.1 and incorporated herein by reference.

*Trading Arrangements*

None.

**Item 6. Exhibits**

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of Amazon.com, Inc. (incorporated by reference to the Company's Current Report on Form 8-K, filed May 27, 2022).</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws of Amazon.com, Inc. (incorporated by reference to the Company's Current Report on Form 8-K, filed May 3, 2024).</u></a>
10.1	<a href="#"><u>364-Day Revolving Credit Agreement, dated as of October 30, 2024, among Amazon.com, Inc., Citibank N.A., as administrative agent, and the lenders party thereto.</u></a>
31.1	<a href="#"><u>Certification of Andrew R. Jassy, President and Chief Executive Officer of Amazon.com, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</u></a>
31.2	<a href="#"><u>Certification of Brian T. Olsavsky, Senior Vice President and Chief Financial Officer of Amazon.com, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</u></a>
32.1	<a href="#"><u>Certification of Andrew R. Jassy, President and Chief Executive Officer of Amazon.com, Inc., pursuant to 18 U.S.C. Section 1350.</u></a>
32.2	<a href="#"><u>Certification of Brian T. Olsavsky, Senior Vice President and Chief Financial Officer of Amazon.com, Inc., pursuant to 18 U.S.C. Section 1350.</u></a>
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL: (i) Consolidated Statements of Cash Flows, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Balance Sheets, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL (included as Exhibit 101).

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMAZON.COM, INC. (REGISTRANT)

By:                     /s/ Shelley L. Reynolds                      
**Shelley L. Reynolds**  
**Vice President, Worldwide Controller**  
**(Principal Accounting Officer)**

Dated: October 31, 2024