

# 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,	
	2020	2021	2020	2021	2020	2021
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD	\$ 37,842	\$ 40,667	\$ 36,410	\$ 42,377	\$ 23,554	\$ 30,202
OPERATING ACTIVITIES:						
Net income	6,331	3,156	14,109	19,041	17,377	26,263
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	6,523	8,948	17,633	24,494	23,803	32,112
Stock-based compensation	2,288	3,180	6,646	9,077	8,486	11,639
Other operating expense (income), net	67	24	416	72	466	(415)
Other expense (income), net	(1,051)	340	(1,255)	(2,374)	(1,749)	(3,701)
Deferred income taxes	295	909	1,082	3,313	1,267	1,677
Changes in operating assets and liabilities:						
Inventories	(3,899)	(7,059)	(3,178)	(7,572)	(4,694)	(7,242)
Accounts receivable, net and other	(2,016)	(4,890)	(3,608)	(11,607)	(7,515)	(16,168)
Accounts payable	3,658	3,832	4,231	(4,387)	14,914	8,863
Accrued expenses and other	(310)	(1,465)	(1,375)	(7,210)	1,520	(84)
Unearned revenue	78	338	932	1,394	1,417	1,727
Net cash provided by (used in) operating activities	11,964	7,313	35,633	24,241	55,292	54,671
INVESTING ACTIVITIES:						
Purchases of property and equipment	(11,063)	(15,748)	(25,317)	(42,118)	(30,629)	(56,941)
Proceeds from property and equipment sales and incentives	1,255	997	3,467	3,192	4,838	4,822
Acquisitions, net of cash acquired, and other	(1,735)	(654)	(1,945)	(1,604)	(2,722)	(1,985)
Sales and maturities of marketable securities	13,135	15,808	32,899	46,847	40,525	64,185
Purchases of marketable securities	(17,468)	(15,231)	(51,678)	(51,891)	(58,122)	(72,692)
Net cash provided by (used in) investing activities	(15,876)	(14,828)	(42,574)	(45,574)	(46,110)	(62,611)
FINANCING ACTIVITIES:						
Proceeds from short-term debt, and other	1,311	2,187	4,361	5,289	5,042	7,724
Repayments of short-term debt, and other	(1,349)	(1,917)	(3,886)	(5,094)	(4,701)	(7,385)
Proceeds from long-term debt	—	176	9,994	18,803	10,412	19,334
Repayments of long-term debt	(1,198)	(509)	(1,439)	(589)	(2,490)	(703)
Principal repayments of finance leases	(2,857)	(2,693)	(8,274)	(8,903)	(11,054)	(11,271)
Principal repayments of financing obligations	(12)	(20)	(44)	(115)	(68)	(124)
Net cash provided by (used in) financing activities	(4,105)	(2,776)	712	9,391	(2,859)	7,575
Foreign currency effect on cash, cash equivalents, and restricted cash	377	(199)	21	(258)	325	340
Net increase (decrease) in cash, cash equivalents, and restricted cash	(7,640)	(10,490)	(6,208)	(12,200)	6,648	(25)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	\$ 30,202	\$ 30,177	\$ 30,202	\$ 30,177	\$ 30,202	\$ 30,177

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,	
	2020	2021	2020	2021
Net product sales	\$ 52,774	\$ 54,876	\$ 144,859	\$ 170,371
Net service sales	43,371	55,936	115,650	162,039
Total net sales	96,145	110,812	260,509	332,410
Operating expenses:				
Cost of sales	57,106	62,930	154,023	189,509
Fulfillment	14,705	18,498	40,043	52,666
Technology and content	10,976	14,380	30,691	40,739
Marketing	5,434	8,010	14,605	21,741
General and administrative	1,668	2,153	4,700	6,298
Other operating expense (income), net	62	(11)	421	38
Total operating expenses	89,951	105,960	244,483	310,991
Operating income	6,194	4,852	16,026	21,419
Interest income	118	119	455	330
Interest expense	(428)	(493)	(1,233)	(1,327)
Other income (expense), net	925	(163)	1,165	2,795
Total non-operating income (expense)	615	(537)	387	1,798
Income before income taxes	6,809	4,315	16,413	23,217
Provision for income taxes	(569)	(1,155)	(2,298)	(4,179)
Equity-method investment activity, net of tax	91	(4)	(6)	3
Net income	\$ 6,331	\$ 3,156	\$ 14,109	\$ 19,041
Basic earnings per share	\$ 12.63	\$ 6.23	\$ 28.24	\$ 37.69
Diluted earnings per share	\$ 12.37	\$ 6.12	\$ 27.72	\$ 37.02
Weighted-average shares used in computation of earnings per share:				
Basic	501	507	500	505
Diluted	512	515	509	514

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,	
	2020	2021	2020	2021
Net income	\$ 6,331	\$ 3,156	\$ 14,109	\$ 19,041
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax of \$(15), \$39, \$(2) and \$35	408	(537)	(260)	(752)
Net change in unrealized gains (losses) on available-for-sale debt securities:				
Unrealized gains (losses), net of tax of \$(10), \$3, \$(73) and \$31	35	(5)	239	(109)
Reclassification adjustment for losses (gains) included in "Other income (expense), net," net of tax of \$5, \$5, \$7 and \$13	(17)	(8)	(22)	(34)
Net unrealized gains (losses) on available-for-sale debt securities	18	(13)	217	(143)
Total other comprehensive income (loss)	426	(550)	(43)	(895)
Comprehensive income	\$ 6,757	\$ 2,606	\$ 14,066	\$ 18,146

See accompanying notes to consolidated financial statements.

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

	<u>December 31, 2020</u>	<u>September 30, 2021</u> (unaudited)
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 42,122	\$ 29,944
Marketable securities	42,274	49,044
Inventories	23,795	30,933
Accounts receivable, net and other	24,542	28,610
Total current assets	132,733	138,531
Property and equipment, net	113,114	147,152
Operating leases	37,553	52,151
Goodwill	15,017	15,345
Other assets	22,778	29,227
Total assets	<u>\$ 321,195</u>	<u>\$ 382,406</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable	\$ 72,539	\$ 71,474
Accrued expenses and other	44,138	41,546
Unearned revenue	9,708	10,974
Total current liabilities	126,385	123,994
Long-term lease liabilities	52,573	63,848
Long-term debt	31,816	50,055
Other long-term liabilities	17,017	23,945
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, \$0.01 par value:		
Authorized shares — 500		
Issued and outstanding shares — none	—	—
Common stock, \$0.01 par value:		
Authorized shares — 5,000		
Issued shares — 527 and 530		
Outstanding shares — 503 and 507	5	5
Treasury stock, at cost	(1,837)	(1,837)
Additional paid-in capital	42,865	51,879
Accumulated other comprehensive income (loss)	(180)	(1,075)
Retained earnings	52,551	71,592
Total stockholders' equity	93,404	120,564
Total liabilities and stockholders' equity	<u>\$ 321,195</u>	<u>\$ 382,406</u>

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 2021 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 2020 Annual Report on Form 10-K.

***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 seller lending financing activities. 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, and valuation and impairment of investments. Actual results could differ materially from these estimates.

***Supplemental Cash Flow Information***

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>		<b>Twelve Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>						
Cash paid for interest on debt	\$ 285	\$ 276	\$ 715	\$ 731	\$ 869	\$ 933
Cash paid for operating leases	1,159	1,812	3,275	5,029	4,215	6,230
Cash paid for interest on finance leases	155	121	484	407	650	535
Cash paid for interest on financing obligations	28	48	71	116	90	147
Cash paid for income taxes, net of refunds	502	750	1,293	3,354	1,481	3,774
Assets acquired under operating leases	6,115	10,447	11,870	19,561	14,346	23,908
Property and equipment acquired under finance leases	3,571	1,744	8,892	5,453	13,075	8,149
Property and equipment acquired under build-to-suit arrangements	366	1,721	1,228	3,702	1,480	4,742

***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,	
	2020	2021	2020	2021
Shares used in computation of basic earnings per share	501	507	500	505
Total dilutive effect of outstanding stock awards	11	8	9	9
Shares used in computation of diluted earnings per share	512	515	509	514

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2021	2020	2021
Marketable equity securities valuation gains (losses)	\$ 200	\$ (129)	\$ 404	\$ (48)
Equity warrant valuation gains (losses)	300	(50)	566	1,194
Upward adjustments relating to equity investments in private companies	320	155	320	1,661
Foreign currency gains (losses)	112	(107)	(97)	(28)
Other, net	(7)	(32)	(28)	16
Total other income (expense), net	925	(163)	1,165	2,795

#### ***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 \$2.3 billion and \$2.4 billion as of December 31, 2020 and September 30, 2021.

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

Included in “Accounts receivable, net and other” on our consolidated balance sheets are amounts primarily related to customers, vendors, and sellers. As of December 31, 2020 and September 30, 2021, customer receivables, net, were \$14.8 billion and \$17.7 billion, vendor receivables, net, were \$4.8 billion and \$4.0 billion, and seller receivables, net, were \$381 million and \$858 million. Seller receivables are amounts due from sellers related to our seller lending program, which provides funding to sellers primarily to procure inventory.

We estimate losses on receivables based on expected losses, including our historical experience of actual losses. The allowance for doubtful accounts was \$1.1 billion and \$951 million as of December 31, 2020 and September 30, 2021.

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

The total capitalized costs of video, which is primarily released content, and music as of December 31, 2020 and September 30, 2021 were \$6.8 billion and \$10.1 billion. Total video and music expense was \$2.8 billion and \$3.3 billion in Q3 2020 and Q3 2021, and \$8.0 billion and \$9.4 billion for the nine months ended September 30, 2020 and 2021.

#### ***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, 2020 was \$11.6 billion, of which \$8.4 billion was recognized as revenue during the nine months ended September 30, 2021. Included in “Other long-term liabilities” on our consolidated balance sheets was \$1.9 billion and \$2.0 billion of unearned revenue as of December 31, 2020 and September 30, 2021.

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 \$66.3 billion as of September 30, 2021. The weighted-average remaining life of our long-term contracts is 3.7 years. However, the amount and timing of revenue recognition is largely driven by customer usage, which can extend beyond the original contractual term.