

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,	
	2017	2018	2017	2018	2017	2018
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD	13,851	20,536	19,934	21,856	14,124	13,960
OPERATING ACTIVITIES:						
Net income	256	2,883	1,176	7,046	1,926	8,902
Adjustments to reconcile net income to net cash from operating activities:						
Depreciation of property and equipment, including internal-use software and website development, and other amortization, including capitalized content costs	2,912	3,778	7,980	11,079	10,277	14,577
Stock-based compensation	1,085	1,350	3,036	4,001	3,923	5,180
Other operating expense, net	43	62	146	202	177	258
Other expense (income), net	(128)	96	(288)	22	(267)	17
Deferred income taxes	(74)	266	279	268	(2)	(40)
Changes in operating assets and liabilities:						
Inventories	(1,593)	(1,094)	(1,328)	36	(2,371)	(2,220)
Accounts receivable, net and other	(1,760)	(2,884)	(2,016)	(3,220)	(3,938)	(5,983)
Accounts payable	2,974	3,894	(1,803)	(3,618)	5,479	5,285
Accrued expenses and other	(122)	237	(1,778)	(2,193)	476	(131)
Unearned revenue	184	—	603	623	1,316	759
Net cash provided by (used in) operating activities	3,777	8,588	6,007	14,246	16,996	26,604
INVESTING ACTIVITIES:						
Purchases of property and equipment, including internal-use software and website development	(3,074)	(3,352)	(8,336)	(9,693)	(10,750)	(13,312)
Proceeds from property and equipment incentives	415	825	1,314	1,490	1,723	2,073
Acquisitions, net of cash acquired, and other	(13,213)	(976)	(13,891)	(1,855)	(13,893)	(1,936)
Sales and maturities of marketable securities	2,211	1,964	6,191	6,301	7,384	9,787
Purchases of marketable securities	(4,817)	(4,033)	(10,381)	(5,040)	(13,633)	(7,390)
Net cash provided by (used in) investing activities	(18,478)	(5,572)	(25,103)	(8,797)	(29,169)	(10,778)
FINANCING ACTIVITIES:						
Proceeds from long-term debt and other	16,049	143	16,119	363	16,653	472
Repayments of long-term debt and other	(71)	(183)	(159)	(533)	(217)	(1,675)
Principal repayments of capital lease obligations	(1,267)	(2,247)	(3,327)	(5,544)	(4,331)	(7,016)
Principal repayments of finance lease obligations	(49)	(82)	(134)	(211)	(175)	(277)
Net cash provided by (used in) financing activities	14,662	(2,369)	12,499	(5,925)	11,930	(8,496)
Foreign currency effect on cash, cash equivalents, and restricted cash	148	(151)	623	(348)	79	(258)
Net increase (decrease) in cash, cash equivalents, and restricted cash	109	496	(5,974)	(824)	(164)	7,072
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	13,960	21,032	13,960	21,032	13,960	21,032
SUPPLEMENTAL CASH FLOW INFORMATION:						
Cash paid for interest on long-term debt	5	283	155	733	299	907
Cash paid for interest on capital and finance lease obligations	112	165	235	419	296	503
Cash paid for income taxes, net of refunds	172	200	865	1,013	960	1,106
Property and equipment acquired under capital leases	2,256	2,329	6,867	6,934	8,905	9,704
Property and equipment acquired under build-to-suit leases	750	962	2,698	2,498	3,114	3,340

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,	
	2017	2018	2017	2018
Net product sales	\$ 28,768	\$ 33,746	\$ 77,248	\$ 97,215
Net service sales	14,976	22,830	40,165	63,289
Total net sales	43,744	56,576	117,413	160,504
Operating expenses:				
Cost of sales	27,549	33,003	73,439	94,370
Fulfillment	6,420	8,275	16,275	23,999
Marketing	2,479	3,303	6,629	8,902
Technology and content	5,944	7,162	16,306	21,168
General and administrative	960	1,041	2,630	3,219
Other operating expense, net	45	68	155	211
Total operating expenses	43,397	52,852	115,434	151,869
Operating income	347	3,724	1,979	8,635
Interest income	54	117	137	290
Interest expense	(228)	(358)	(510)	(1,030)
Other income (expense), net	143	(93)	329	16
Total non-operating income (expense)	(31)	(334)	(44)	(724)
Income before income taxes	316	3,390	1,935	7,911
Provision for income taxes	(58)	(508)	(755)	(870)
Equity-method investment activity, net of tax	(2)	1	(4)	5
Net income	\$ 256	\$ 2,883	\$ 1,176	\$ 7,046
Basic earnings per share	\$ 0.53	\$ 5.91	\$ 2.46	\$ 14.49
Diluted earnings per share	\$ 0.52	\$ 5.75	\$ 2.39	\$ 14.10
Weighted-average shares used in computation of earnings per share:				
Basic	481	488	479	486
Diluted	494	501	492	500

See accompanying notes to consolidated financial statements.

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

	<u>December 31, 2017</u>	<u>September 30, 2018</u> (unaudited)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 20,522	\$ 20,425
Marketable securities	10,464	9,340
Inventories	16,047	15,862
Accounts receivable, net and other	13,164	14,258
Total current assets	60,197	59,885
Property and equipment, net	48,866	58,019
Goodwill	13,350	14,553
Other assets	8,897	11,238
Total assets	<u>\$ 131,310</u>	<u>\$ 143,695</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 34,616	\$ 30,904
Accrued expenses and other	18,170	18,420
Unearned revenue	5,097	6,000
Total current liabilities	57,883	55,324
Long-term debt	24,743	24,684
Other long-term liabilities	20,975	24,562
Commitments and contingencies (Note 3)		
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 — 507 and 512		
Outstanding shares — 484 and 489	5	5
Treasury stock, at cost	(1,837)	(1,837)
Additional paid-in capital	21,389	25,375
Accumulated other comprehensive loss	(484)	(1,034)
Retained earnings	8,636	16,616
Total stockholders' equity	27,709	39,125
Total liabilities and stockholders' equity	<u>\$ 131,310</u>	<u>\$ 143,695</u>

See accompanying notes to consolidated financial statements.