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, 2022

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	**91-1646860**
(State or other jurisdiction of incorporation or organization)	**(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 ☒

10,201,654,176 shares of common stock, par value $0.01 per share, outstanding as of October 19, 2022

International sales decreased 5% in Q3 2022, and 8% for the nine months ended September 30, 2022, compared to the comparable prior year periods, primarily due to the impact of foreign currency exchange rates, partially offset by 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 shipping offers. Changes in foreign currency exchange rates impacted International net sales by $(4.9) billion for Q3 2022, and by $(10.2) billion for the nine months ended September 30, 2022.

AWS sales increased 27% in Q3 2022, and 32% for the nine months ended September 30, 2022 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,	
	2021	2022	2021	2022
Operating Income (Loss)				
North America	$ 880	$ (412)	$ 7,477	$ (2,607)
International	(911)	(2,466)	703	(5,518)
AWS	4,883	5,403	13,239	17,636
Consolidated	$ 4,852	$ 2,525	$ 21,419	$ 9,511

Operating income decreased from $4.9 billion in Q3 2021 to $2.5 billion in Q3 2022, and decreased from $21.4 billion for the nine months ended September 30, 2021 to $9.5 billion for the nine months ended September 30, 2022. 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 North America operating loss in Q3 2022, as compared to the operating income in the comparable prior year period, is primarily due to increased shipping and fulfillment costs, due in part to increased investments in our fulfillment network and increased transportation costs, and growth in certain operating expenses, partially offset by increased unit sales, including sales by third-party sellers, and advertising sales. The North America operating loss for the nine months ended September 30, 2022, as compared to the operating income in the comparable prior year period, is primarily due to increased shipping and fulfillment costs, due in part to increased investments in our fulfillment network, increased transportation costs, increased wage rates and incentives, and fulfillment network inefficiencies, and growth in certain operating expenses, partially offset by increased unit sales, including sales by third-party sellers, and advertising sales. Changes in foreign exchange rates positively impacted operating income (loss) by $95 million for Q3 2022, and by $198 million for the nine months ended September 30, 2022.

The increase in International operating loss in absolute dollars in Q3 2022, compared to the comparable prior year period, is primarily due to increased shipping and fulfillment costs, due in part to increased investments in our fulfillment network and increased transportation costs, and growth in certain operating expenses, partially offset by increased unit sales, including sales by third-party sellers, and advertising sales. The International operating loss for the nine months ended September 30, 2022, as compared to the operating income in the comparable prior year period, is primarily due to increased shipping and fulfillment costs, due in part to increased investments in our fulfillment network, increased transportation costs, and increased wage rates and incentives, and growth in certain operating expenses, partially offset by increased advertising sales. Changes in foreign exchange rates negatively impacted operating income (loss) by $216 million for Q3 2022, and by $526 million for the nine months ended September 30, 2022.

The increase in AWS operating income in absolute dollars in Q3 2022 and for the nine months ended September 30, 2022, compared to the comparable prior year periods, is primarily due to increased sales and cost structure productivity, including a reduction in depreciation and amortization expense from our change in the estimated useful lives of our servers and networking equipment, partially offset by increased payroll and related expenses and spending on technology infrastructure, all of which were primarily driven by additional investments to support AWS business growth.Changes in foreign exchange rates positively impacted operating income by $478 million for Q3 2022, and by $976 million for the nine months ended September 30, 2022.

Operating Expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
Operating expenses:				
Cost of sales	$ 62,930	$ 70,268	$ 189,509	$ 203,191
Fulfillment	18,498	20,583	52,666	61,196
Technology and content	14,380	19,485	40,739	52,399
Sales and marketing	8,010	11,014	21,741	29,420
General and administrative	2,153	3,061	6,298	8,558
Other operating expense (income), net	(11)	165	38	504
Total operating expenses	$ 105,960	$ 124,576	$ 310,991	$ 355,268
Year-over-year Percentage Growth (Decline):				
Cost of sales	10 %	12 %	23 %	7 %
Fulfillment	26	11	32	16
Technology and content	31	35	33	29
Sales and marketing	47	38	49	35
General and administrative	29	42	34	36
Other operating expense (income), net	(118)	(1,619)	(91)	1,210
Percent of Net Sales:				
Cost of sales	56.8 %	55.3 %	57.0 %	55.7 %
Fulfillment	16.7	16.2	15.8	16.8
Technology and content	13.0	15.3	12.3	14.4
Sales and marketing	7.2	8.7	6.5	8.1
General and administrative	1.9	2.4	1.9	2.3
Other operating expense (income), net	0.0	0.1	0.0	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 absolute dollars in Q3 2022, compared to the comparable prior year period, is primarily due to increased product and shipping costs resulting from increased sales, increased investments in our fulfillment network, increased transportation costs, and increased wage rates. The increase in cost of sales in absolute dollars for the nine months ended September 30, 2022, compared to the comparable prior year period, is primarily due to increased product and shipping costs resulting from increased sales, increased investments in our fulfillment network, increased transportation costs, increased wage rates and incentives, and fulfillment network inefficiencies. Changes in foreign exchange rates reduced cost of sales by $3.6 billion for Q3 2022, and by $7.4 billion for the nine months ended September 30, 2022.

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. Shipping costs, which include sortation and delivery centers and transportation costs, were $18.1 billion and $19.9 billion in Q3 2021 and Q3 2022, and $53.0 billion and $58.8 billion for the nine months ended September 30, 2021 and 2022. 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, including faster delivery, 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 content" as we leverage a shared infrastructure that supports both our internal technology requirements and external sales to AWS customers.

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 general economic and business 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);
- the extent to which we invest in technology and content, fulfillment, and other expense categories;
- increases in the prices of fuel and gasoline, energy products, commodities like paper and packing supplies and hardware products, and technology infrastructure products;
- constrained labor markets, which increase our payroll costs;

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For the transition period from to .

Commission File No. 000-22513

AMAZON.COM, INC.
(Exact name of registrant as specified in its charter)

Delaware	**91-1646860**
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(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 ☒

10,260,353,688 shares of common stock, par value $0.01 per share, outstanding as of April 19, 2023 foreign exchange rates. Increased unit sales were driven largely by our continued focus on price, selection, and convenience for our customers, including from our shipping offers. Changes in foreign exchange rates reduced International net sales by $2.3 billion for Q1 2023.

AWS sales increased 16% in Q1 2023 compared to the comparable prior year period. 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 March 31,	
	2022	2023
Operating Income (Loss)		
North America	$ (1,568)	$ 898
International	(1,281)	(1,247)
AWS	6,518	5,123
Consolidated	$ 3,669	$ 4,774

Operating income increased from $3.7 billion in Q1 2022 to $4.8 billion in Q1 2023. 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 North America operating income in Q1 2023, as compared to the operating loss in the comparable prior year period, is primarily due to increased unit sales, primarily by third-party sellers, and increased advertising sales, partially offset by increased technology and content costs, increased fulfillment and shipping costs, and growth in certain operating expenses. Changes in foreign exchange rates positively impacted operating income by $41 million for Q1 2023.

The decrease in International operating loss in absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to increased unit sales, primarily by third-party sellers, and increased advertising sales, partially offset by increased technology and content costs, increased fulfillment and shipping costs, and growth in certain operating expenses. Changes in foreign exchange rates negatively impacted operating loss by $174 million for Q1 2023.

The decrease in AWS operating income in absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to increased payroll and related expenses and spending on technology infrastructure, both of which were primarily driven by additional investments to support AWS business growth, partially offset by increased sales. Changes in foreign exchange rates positively impacted operating income by $272 million for Q1 2023.

Operating Expenses

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

	Three Months Ended March 31,	
	2022	2023
Operating expenses:		
Cost of sales	$ 66,499	$ 67,791
Fulfillment	20,271	20,905
Technology and content	14,842	20,450
Sales and marketing	8,320	10,172
General and administrative	2,594	3,043
Other operating expense (income), net	249	223
Total operating expenses	$ 112,775	$ 122,584
Year-over-year Percentage Growth (Decline):		
Cost of sales	7 %	2 %
Fulfillment	23	3
Technology and content	19	38
Sales and marketing	34	22
General and administrative	31	17
Other operating expense (income), net	562	(11)
Percent of Net Sales:		
Cost of sales	57.1 %	53.2 %
Fulfillment	17.4	16.4
Technology and content	12.7	16.1
Sales and marketing	7.1	8.0
General and administrative	2.2	2.4
Other operating expense (income), net	0.2	0.2

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 absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to increased product and shipping costs resulting from increased sales, partially offset by fulfillment network efficiencies. Changes in foreign exchange rates reduced cost of sales by $1.6 billion for Q1 2023.

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. Shipping costs, which include sortation and delivery centers and transportation costs, were $19.6 billion and $19.9 billion in Q1 2022 and Q1 2023. 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, including faster delivery, 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 content” 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 content.”

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 absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to increased sales, partially offset by fulfillment network efficiencies. Changes in foreign exchange rates reduced fulfillment costs by $396 million for Q1 2023.

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 Content

Technology and content 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 content 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 content 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 content to increase over time as we continue to add employees and technology infrastructure. These costs are allocated to segments based on usage. The increase in technology and content costs in absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to increased 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, and an increase in spending on technology infrastructure. Changes in foreign exchange rates reduced technology and content costs by $304 million for Q1 2023. See Item 7 of Part II, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview” of our 2022 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, social and online advertising, third-party customer referrals, 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.

The increase in sales and marketing costs in absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to increased payroll and related expenses for personnel engaged in marketing and selling activities.

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

The increase in general and administrative costs in absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to an increase in payroll and related expenses.

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Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
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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 ☒

10,317,750,796 shares of common stock, par value $0.01 per share, outstanding as of July 21, 2023

International sales increased 10% in Q2 2023, and 5% for the six months ended June 30, 2023 compared to the comparable prior year periods, primarily due to increased unit sales, primarily by third-party sellers, advertising sales, and subscription services, partially offset by the impact of changes in foreign exchange rates. Increased unit sales were driven largely by our continued focus on price, selection, and convenience for our customers, including from our shipping offers. Changes in foreign exchange rates reduced International net sales by $180 million for Q2 2023, and by $2.4 billion for the six months ended June 30, 2023.

AWS sales increased 12% in Q2 2023, and 14% for the six months ended June 30, 2023 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 June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
Operating Income (Loss)				
North America	$ (627)	$ 3,211	$ (2,195)	$ 4,109
International	(1,771)	(895)	(3,052)	(2,142)
AWS	5,715	5,365	12,233	10,488
Consolidated	$ 3,317	$ 7,681	$ 6,986	$ 12,455

Operating income increased from $3.3 billion in Q2 2022 to $7.7 billion in Q2 2023, and increased from $7.0 billion for the six months ended June 30, 2022 to $12.5 billion for the six months ended June 30, 2023. 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 North America operating income in Q2 2023 and for the six months ended June 30, 2023, 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 technology and infrastructure costs, increased shipping and fulfillment costs, and growth in certain operating expenses. Changes in foreign exchange rates negatively impacted operating income by $7 million for Q2 2023, and positively impacted operating income by $34 million for the six months ended June 30, 2023.

The decrease in International operating loss in absolute dollars in Q2 2023 and for the six months ended June 30, 2023, 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, increased technology and infrastructure costs, and growth in certain operating expenses. Changes in foreign exchange rates positively impacted operating loss by $32 million for Q2 2023, and negatively impacted operating loss by $142 million for the six months ended June 30, 2023.

The decrease in AWS operating income in absolute dollars in Q2 2023 and for the six months ended June 30, 2023, compared to the comparable prior year periods, is primarily due to increased payroll and related expenses and spending on technology infrastructure, both of which were primarily driven by additional investments to support AWS business growth, partially offset by increased sales. Changes in foreign exchange rates positively impacted operating income by $79 million for Q2 2023, and by $351 million for the six months ended June 30, 2023.

Operating Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
Operating expenses:				
Cost of sales	$ 66,424	$ 69,373	$ 132,923	$ 137,164
Fulfillment	20,342	21,305	40,613	42,210
Technology and infrastructure	18,072	21,931	32,914	42,381
Sales and marketing	10,086	10,745	18,406	20,917
General and administrative	2,903	3,202	5,497	6,245
Other operating expense (income), net	90	146	339	369
Total operating expenses	$ 117,917	$ 126,702	$ 230,692	$ 249,286
Year-over-year Percentage Growth:				
Cost of sales	4 %	4 %	5 %	3 %
Fulfillment	15	5	19	4
Technology and infrastructure	30	21	25	29
Sales and marketing	34	7	34	14
General and administrative	35	10	33	14
Other operating expense (income), net	673	63	588	9
Percent of Net Sales:				
Cost of sales	54.8 %	51.6 %	55.9 %	52.4 %
Fulfillment	16.8	15.9	17.1	16.1
Technology and infrastructure	14.9	16.3	13.8	16.2
Sales and marketing	8.3	8.0	7.7	8.0
General and administrative	2.4	2.4	2.3	2.4
Other operating expense (income), net	0.1	0.1	0.1	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 absolute dollars in Q2 2023 and for the six months ended June 30, 2023, 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. Changes in foreign exchange rates reduced cost of sales by $208 million for Q2 2023, and by $1.8 billion for the six months ended June 30, 2023.

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. Shipping costs, which include sortation and delivery centers and transportation costs, were $19.3 billion and $20.5 billion in Q2 2022 and Q2 2023, and $38.9 billion and $40.4 billion for the six months ended June 30, 2022 and 2023. 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

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, 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.

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, 2023

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	**91-1646860**
(State or other jurisdiction of incorporation or organization)	**(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 ☒

10,334,030,586 shares of common stock, par value $0.01 per share, outstanding as of October 18, 2023

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 2023 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 2022 Annual Report on Form 10-K.

Prior Period Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. “Other operating expense (income), net” was reclassified into “Depreciation and amortization of property and equipment and capitalized content costs, operating lease assets, 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 and 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, 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.

For the nine months ended September 30, 2023, we recorded approximately $500 million of estimated severance costs primarily related to planned role eliminations. These charges were recorded primarily in “Technology and infrastructure,” “Sales and marketing,” and “General and administrative” on our consolidated statements of operations and included approximately $280 million recorded within our AWS segment.

For the nine months ended September 30, 2022 and 2023, we recorded approximately $350 million and $420 million of impairments of property and equipment and operating leases primarily related to physical stores in 2022 and fulfillment network facilities and physical stores in 2023. These charges were recorded in “Other operating expense (income), net” on our consolidated statements of operations and primarily impacted our North America segment. For the nine months ended September 30, 2022 and 2023, we also recorded expenses of approximately $300 million and $200 million primarily in “Fulfillment” in 2022 and “Cost of sales” and “Fulfillment” in 2023, on our consolidated statements of operations primarily relating to terminating contracts for certain leases not yet commenced as well as other purchase commitments, which primarily impacted our North America segment.

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,	
	2022	**2023**	**2022**	**2023**	**2022**	**2023**
Cash provided by (used in):						
Operating activities	$ 11,404	$ 21,217	$ 17,579	$ 42,481	$ 39,665	$ 71,654
Investing activities	(15,608)	(11,753)	(26,780)	(37,232)	(39,360)	(48,053)
Financing activities	3,016	(8,948)	9,632	(9,133)	6,532	(9,047)

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 $70.0 billion and $64.2 billion as of December 31, 2022 and September 30, 2023. Amounts held in foreign currencies were $18.3 billion and $13.7 billion as of December 31, 2022 and September 30, 2023. Our foreign currency balances include British Pounds, Canadian Dollars, Euros, Indian Rupees, and Japanese Yen.

Cash provided by (used in) operating activities was $11.4 billion and $21.2 billion for Q3 2022 and Q3 2023, and $17.6 billion and $42.5 billion for the nine months ended September 30, 2022 and 2023. 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, 2023, compared to the comparable prior year period, was due to an increase in net income (loss), 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 $(15.6) billion and $(11.8) billion for Q3 2022 and Q3 2023, and $(26.8) billion and $(37.2) billion for the nine months ended September 30, 2022 and 2023, with the variability caused primarily by purchases, sales, and maturities of marketable securities and cash capital expenditures. Cash capital expenditures were $15.0 billion and $11.3 billion during Q3 2022 and Q3 2023, and $42.9 billion and $34.8 billion for the nine months ended September 30, 2022 and 2023, 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 decrease in 2023, primarily due to lower spending on our fulfillment network. We made cash payments, net of acquired cash, related to acquisition and other investment activity of $885 million and $1.6 billion during Q3 2022 and Q3 2023, and $7.5 billion and $5.5 billion for the nine months ended September 30, 2022 and 2023. We funded the acquisitions of

International sales increased 16% in Q3 2023, and 9% for the nine months ended September 30, 2023 compared to the comparable prior year periods, primarily due to increased unit sales, primarily 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 shipping offers. Changes in foreign exchange rates increased International net sales by $1.4 billion for Q3 2023, and reduced International net sales by $1.1 billion for the nine months ended September 30, 2023.

AWS sales increased 12% in Q3 2023, and 13% for the nine months ended September 30, 2023 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,	
	2022	**2023**	**2022**	**2023**
Operating Income (Loss)				
North America	$ (412)	$ 4,307	$ (2,607)	$ 8,416
International	(2,466)	(95)	(5,518)	(2,237)
AWS	5,403	6,976	17,636	17,464
Consolidated	$ 2,525	$ 11,188	$ 9,511	$ 23,643

Operating income increased from $2.5 billion in Q3 2022 to $11.2 billion in Q3 2023, and increased from $9.5 billion for the nine months ended September 30, 2022 to $23.6 billion for the nine months ended September 30, 2023. 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 North America operating income in Q3 2023, as compared to the operating loss in the comparable prior year period, is primarily due to increased unit sales and increased advertising sales, partially offset by increased shipping and fulfillment costs. The North America operating income for the nine months ended September 30, 2023, as compared to the operating loss in the comparable prior year period, is primarily due to increased unit sales and increased advertising sales, partially offset by increased shipping and fulfillment costs, increased technology and infrastructure costs, and growth in certain operating expenses. Changes in foreign exchange rates negatively impacted operating income by $27 million for Q3 2023, and positively impacted operating income by $7 million for the nine months ended September 30, 2023.

The decrease in International operating loss in absolute dollars in Q3 2023, compared to the comparable prior year period, is primarily due to increased unit sales and increased advertising sales. The decrease in International operating loss in absolute dollars for the nine months ended September 30, 2023, compared to the comparable prior year period, is primarily due to increased unit sales and increased advertising sales, partially offset by increased fulfillment and shipping costs, increased technology and infrastructure costs, and growth in certain operating expenses. Changes in foreign exchange rates positively impacted operating loss by $228 million for Q3 2023, and by $86 million for the nine months ended September 30, 2023.

The increase in AWS operating income in absolute dollars in Q3 2023, compared to the comparable prior year period, is primarily due to increased sales and cost structure productivity, partially offset by spending on technology infrastructure, which was primarily driven by additional investments to support AWS business growth. The decrease in AWS operating income in absolute dollars for the nine months ended September 30, 2023, compared to the comparable prior year period, is primarily due to increased payroll and related expenses and spending on technology infrastructure, both of which were primarily driven by additional investments to support AWS business growth, partially offset by increased sales. Changes in foreign exchange rates negatively impacted operating income by $69 million for Q3 2023, and positively impacted operating income by $282 million for the nine months ended September 30, 2023.

Operating Expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2023	2022	2023
Operating Expenses:				
Cost of sales	$ 70,268	$ 75,022	$ 203,191	$ 212,186
Fulfillment	20,583	22,314	61,196	64,524
Technology and infrastructure	19,485	21,203	52,399	63,584
Sales and marketing	11,014	10,551	29,420	31,468
General and administrative	3,061	2,561	8,558	8,806
Other operating expense (income), net	165	244	504	613
Total operating expenses	$ 124,576	$ 131,895	$ 355,268	$ 381,181
Year-over-year Percentage Growth (Decline):				
Cost of sales	12 %	7 %	7 %	4 %
Fulfillment	11	8	16	5
Technology and infrastructure	35	9	29	21
Sales and marketing	38	(4)	35	7
General and administrative	42	(16)	36	3
Other operating expense (income), net	(1,619)	48	1,210	22
Percent of Net Sales:				
Cost of sales	55.3 %	52.4 %	55.7 %	52.4 %
Fulfillment	16.2	15.6	16.8	15.9
Technology and infrastructure	15.3	14.8	14.4	15.7
Sales and marketing	8.7	7.4	8.1	7.8
General and administrative	2.4	1.8	2.3	2.2
Other operating expense (income), net	0.1	0.2	0.1	0.2

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 absolute dollars in Q3 2023 and for the nine months ended September 30, 2023, 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 and lower transportation rates. Changes in foreign exchange rates increased cost of sales by $818 million for Q3 2023, and reduced cost of sales by $1.0 billion for the nine months ended September 30, 2023.

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. Shipping costs, which include sortation and delivery centers and transportation costs, were $19.9 billion and $21.8 billion in Q3 2022 and Q3 2023, and $58.8 billion and $62.2 billion for the nine months ended September 30, 2022 and 2023. 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