

preferred stock in Anthropic, and the reclassification adjustments for the gains on available-for-sale debt securities from the portions of our convertible notes investments in Anthropic that were converted to nonvoting preferred stock during 2025.

Income Taxes

Our effective tax rate is subject to significant variation due to several factors, including variability in 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.

We recorded a provision for income taxes of \$9.3 billion and \$19.1 billion in 2024 and 2025. See Item 8 of Part II, “Financial Statements and Supplementary Data — Note 9 — Income Taxes” for additional information.

Equity-Method Investment Activity, Net of Tax

Equity-method investment activity, net of tax was \$(101) million and \$(554) million during 2024 and 2025. The primary components of equity-method investment activity, net of tax are related to our share of the earnings or losses as reported by equity-method investees, amortization of basis differences, related gains or losses, and impairments. The net loss of \$(554) million in 2025 is primarily from impairments.

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. Free cash flow and the effect of foreign exchange rates on our consolidated statements of operations meet the definition of non-GAAP financial measures.

Free Cash Flow

Our financial focus is on long-term, sustainable growth in free cash flow. We provide a free cash flow measure because we believe it provides additional perspective on the impact of acquiring property and equipment with cash. 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 2024 and 2025 (in millions):

	Year Ended December 31,	
	2024	2025
Net cash provided by (used in) operating activities	\$ 115,877	\$ 139,514
Purchases of property and equipment, net of proceeds from sales and incentives	(77,658)	(128,320)
Free cash flow	\$ 38,219	\$ 11,194
Net cash provided by (used in) investing activities	\$ (94,342)	\$ (142,545)
Net cash provided by (used in) financing activities	\$ (11,812)	\$ 9,661

Free cash flow has limitations as it omits certain components of the overall cash flow statement and does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does 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 flow only as a complement to our entire consolidated statements of cash flows.

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

	Year Ended December 31,		
	2023	2024	2025
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD	\$ 54,253	\$ 73,890	\$ 82,312
OPERATING ACTIVITIES:			
Net income	30,425	59,248	77,670
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	48,663	52,795	65,756
Stock-based compensation	24,023	22,011	19,467
Non-operating expense (income), net	(748)	2,012	(14,880)
Deferred income taxes	(5,876)	(4,648)	11,470
Changes in operating assets and liabilities:			
Inventories	1,449	(1,884)	(3,002)
Accounts receivable, net and other	(8,348)	(3,249)	(7,333)
Other assets	(12,265)	(14,483)	(15,632)
Accounts payable	5,473	2,972	11,231
Accrued expenses and other	(2,428)	(2,904)	(5,019)
Unearned revenue	4,578	4,007	(214)
Net cash provided by (used in) operating activities	84,946	115,877	139,514
INVESTING ACTIVITIES:			
Purchases of property and equipment	(52,729)	(82,999)	(131,819)
Proceeds from property and equipment sales and incentives	4,596	5,341	3,499
Acquisitions, net of cash acquired, non-marketable investments, and other, net	(5,839)	(7,082)	(3,841)
Sales and maturities of marketable securities	5,627	16,403	44,386
Purchases of marketable securities	(1,488)	(26,005)	(54,770)
Net cash provided by (used in) investing activities	(49,833)	(94,342)	(142,545)
FINANCING ACTIVITIES:			
Proceeds from short-term debt, and other	18,129	5,142	9,320
Repayments of short-term debt, and other	(25,677)	(5,060)	(8,426)
Proceeds from long-term debt	—	—	15,673
Repayments of long-term debt	(3,676)	(9,182)	(5,021)
Principal repayments of finance leases	(4,384)	(2,043)	(1,557)
Principal repayments of financing obligations	(271)	(669)	(328)
Net cash provided by (used in) financing activities	(15,879)	(11,812)	9,661
Foreign currency effect on cash, cash equivalents, and restricted cash	403	(1,301)	1,164
Net increase (decrease) in cash, cash equivalents, and restricted cash	19,637	8,422	7,794
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	\$ 73,890	\$ 82,312	\$ 90,106

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2023	2024	2025
Net product sales	\$ 255,887	\$ 272,311	\$ 296,266
Net service sales	318,898	365,648	420,658
Total net sales	574,785	637,959	716,924
Operating expenses:			
Cost of sales	304,739	326,288	356,414
Fulfillment	90,619	98,505	109,074
Technology and infrastructure	85,622	88,544	108,521
Sales and marketing	44,370	43,907	47,129
General and administrative	11,816	11,359	11,172
Other operating expense (income), net	767	763	4,639
Total operating expenses	537,933	569,366	636,949
Operating income	36,852	68,593	79,975
Interest income	2,949	4,677	4,381
Interest expense	(3,182)	(2,406)	(2,274)
Other income (expense), net	938	(2,250)	15,229
Total non-operating income	705	21	17,336
Income before income taxes	37,557	68,614	97,311
Provision for income taxes	(7,120)	(9,265)	(19,087)
Equity-method investment activity, net of tax	(12)	(101)	(554)
Net income	\$ 30,425	\$ 59,248	\$ 77,670
Basic earnings per share	\$ 2.95	\$ 5.66	\$ 7.29
Diluted earnings per share	\$ 2.90	\$ 5.53	\$ 7.17
Weighted-average shares used in computation of earnings per share:			
Basic	10,304	10,473	10,656
Diluted	10,492	10,721	10,827

See accompanying notes to consolidated financial statements.

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

	December 31,	
	2024	2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 78,779	\$ 86,810
Marketable securities	22,423	36,219
Inventories	34,214	38,325
Accounts receivable, net and other	55,451	67,729
Total current assets	190,867	229,083
Property and equipment, net	252,665	357,025
Operating leases	76,141	86,054
Goodwill	23,074	23,273
Other assets	82,147	122,607
Total assets	\$ 624,894	\$ 818,042
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 94,363	\$ 121,909
Accrued expenses and other	66,965	75,520
Unearned revenue	18,103	20,576
Total current liabilities	179,431	218,005
Long-term lease liabilities	78,277	87,339
Long-term debt	52,623	65,648
Other long-term liabilities	28,593	35,985
Commitments and contingencies (Note 7)		
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; 11,108 and 11,246 shares issued; 10,593 and 10,731 shares outstanding)	111	112
Treasury stock, at cost	(7,837)	(7,837)
Additional paid-in capital	120,864	140,024
Accumulated other comprehensive income (loss)	(34)	28,230
Retained earnings	172,866	250,536
Total stockholders' equity	285,970	411,065
Total liabilities and stockholders' equity	\$ 624,894	\$ 818,042

See accompanying notes to consolidated financial statements.

physical stores. These fourth quarter charges were recorded in “Other operating expense (income), net” and primarily impacted our North America segment.

Supplemental Cash Flow Information

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

	Year Ended December 31,		
	2023	2024	2025
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest on debt, net of capitalized interest	\$ 2,608	\$ 1,858	\$ 1,458
Cash paid for operating leases	10,453	12,341	15,038
Cash paid for interest on finance leases	308	287	295
Cash paid for interest on financing obligations	196	219	196
Cash paid for income taxes, net of refunds	11,179	12,308	8,295
Assets acquired under operating leases	14,052	15,424	19,930
Property and equipment acquired under finance leases, net of remeasurements and modifications	642	854	2,911
Increase (decrease) in property and equipment acquired but not yet paid	(1,414)	7,039	10,155

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):

	Year Ended December 31,		
	2023	2024	2025
Shares used in computation of basic earnings per share	10,304	10,473	10,656
Total dilutive effect of outstanding stock awards	188	248	171
Shares used in computation of diluted earnings per share	10,492	10,721	10,827

Revenue

Revenue is measured based on the amount of consideration that we expect to receive, reduced by estimates for return allowances, promotional discounts, and rebates. Revenue also excludes any amounts collected on behalf of third parties, including sales and indirect taxes. In arrangements where we have multiple performance obligations, the transaction price is allocated to each performance obligation using the relative stand-alone selling price. We generally determine stand-alone selling prices based on the prices charged to customers or using expected cost plus a margin.

A description of our principal revenue generating activities is as follows:

Retail sales - We offer consumer products through our online and physical stores. Revenue is recognized when control of the goods is transferred to the customer, which generally occurs upon our delivery to a third-party carrier or, in the case of an Amazon delivery, to the customer.

Third-party seller services - We offer programs that enable sellers to sell their products in our stores, and fulfill orders using our services. We are not the seller of record in these transactions. The commissions and any related fulfillment and shipping fees we earn from these arrangements are recognized when the services are rendered, which generally occurs upon delivery of the related products to a third-party carrier or, in the case of an Amazon delivery, to the customer.

Advertising services - We provide advertising services to sellers, vendors, publishers, authors, and others, through programs such as sponsored ads, display, and video advertising. Revenue is recognized as ads are delivered based on the number of clicks or impressions.

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, 2024	December 31, 2025
Cash and cash equivalents	\$ 78,779	\$ 86,810
Restricted cash included in accounts receivable, net and other	247	300
Restricted cash included in other assets	3,286	2,996
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>\$ 82,312</u>	<u>\$ 90,106</u>

Note 3 — PROPERTY AND EQUIPMENT

Property and equipment, at cost, consisted of the following (in millions):

	December 31,	
	2024	2025
Gross property and equipment (1):		
Land and buildings	\$ 123,039	\$ 155,121
Servers and networking equipment	113,156	172,492
Heavy equipment	52,228	65,545
Other equipment	53,509	63,376
Other assets	5,487	5,819
Construction in progress	46,636	71,745
Gross property and equipment	<u>394,055</u>	<u>534,098</u>
Total accumulated depreciation and amortization (1)	<u>141,390</u>	<u>177,073</u>
Total property and equipment, net	<u>\$ 252,665</u>	<u>\$ 357,025</u>

(1) Includes the original cost and accumulated depreciation of fully-depreciated assets.

Property and equipment acquired but not yet paid are included within “Accounts payable” and were \$16.8 billion and \$27.0 billion as of December 31, 2024 and 2025.

Depreciation and amortization expense on property and equipment was \$30.2 billion, \$32.1 billion, and \$41.9 billion which includes amortization of property and equipment acquired under finance leases of \$5.9 billion, \$3.9 billion, and \$3.3 billion for 2023, 2024, and 2025.