

NETFLIX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year ended December 31,		
	2018	2017	2016
Revenues	\$ 15,794,341	\$ 11,692,713	\$ 8,830,669
Cost of revenues	9,967,538	8,033,000	6,257,462
Marketing	2,369,469	1,436,281	1,097,519
Technology and development	1,221,814	953,710	780,232
General and administrative	630,294	431,043	315,663
Operating income	1,605,226	838,679	379,793
Other income (expense):			
Interest expense	(420,493)	(238,204)	(150,114)
Interest and other income (expense)	41,725	(115,154)	30,828
Income before income taxes	1,226,458	485,321	260,507
Provision for (benefit from) income taxes	15,216	(73,608)	73,829
Net income	\$ 1,211,242	\$ 558,929	\$ 186,678
Earnings per share:			
Basic	\$ 2.78	\$ 1.29	\$ 0.44
Diluted	\$ 2.68	\$ 1.25	\$ 0.43
Weighted-average common shares outstanding:			
Basic	435,374	431,885	428,822
Diluted	451,244	446,814	438,652

See accompanying notes to consolidated financial statements.

NETFLIX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	\$ 1,211,242	\$ 558,929	\$ 186,678
Adjustments to reconcile net income to net cash used in operating activities:			
Additions to streaming content assets	(13,043,437)	(9,805,763)	(8,653,286)
Change in streaming content liabilities	999,880	900,006	1,772,650
Amortization of streaming content assets	7,532,088	6,197,817	4,788,498
Amortization of DVD content assets	41,212	60,657	78,952
Depreciation and amortization of property, equipment and intangibles	83,157	71,911	57,528
Stock-based compensation expense	320,657	182,209	173,675
Excess tax benefits from stock-based compensation	—	—	(65,121)
Other non-cash items	40,428	57,207	40,909
Foreign currency remeasurement loss (gain) on long-term debt	(73,953)	140,790	—
Deferred taxes	(85,520)	(208,688)	(46,847)
Changes in operating assets and liabilities:			
Other current assets	(200,192)	(234,090)	46,970
Accounts payable	199,198	74,559	32,247
Accrued expenses	150,422	114,337	68,706
Deferred revenue	142,277	177,974	96,751
Other non-current assets and liabilities	2,062	(73,803)	(52,294)
Net cash used in operating activities	(2,680,479)	(1,785,948)	(1,473,984)
Cash flows from investing activities:			
Purchases of property and equipment	(173,946)	(173,302)	(107,653)
Acquisition of DVD content assets	(38,586)	(53,720)	(77,177)
Other assets	(126,588)	(6,689)	(941)
Purchases of short-term investments	—	(74,819)	(187,193)
Proceeds from sale of short-term investments	—	320,154	282,484
Proceeds from maturities of short-term investments	—	22,705	140,245
Net cash provided by (used in) investing activities	(339,120)	34,329	49,765
Cash flows from financing activities:			
Proceeds from issuance of debt	3,961,852	3,020,510	1,000,000
Issuance costs	(35,871)	(32,153)	(10,700)
Proceeds from issuance of common stock	124,502	88,378	36,979
Excess tax benefits from stock-based compensation	—	—	65,121
Other financing activities	(1,956)	255	230
Net cash provided by financing activities	4,048,527	3,076,990	1,091,630
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(39,682)	29,848	(9,165)
Net increase (decrease) in cash, cash equivalents and restricted cash	989,246	1,355,219	(341,754)
Cash, cash equivalents and restricted cash, beginning of year	2,822,795	1,467,576	1,809,330
Cash, cash equivalents and restricted cash, end of year	<u>\$ 3,812,041</u>	<u>\$ 2,822,795</u>	<u>\$ 1,467,576</u>
Supplemental disclosure:			
Income taxes paid	\$ 131,069	\$ 113,591	\$ 26,806
Interest paid	375,831	213,313	138,566
Increase (decrease) in investing activities included in liabilities	2,560	(32,643)	27,504

See accompanying notes to consolidated financial statements.

NETFLIX, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	As of December 31,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,794,483	\$ 2,822,795
Current content assets, net	5,151,186	4,310,934
Other current assets	748,466	536,245
Total current assets	9,694,135	7,669,974
Non-current content assets, net	14,960,954	10,371,055
Property and equipment, net	418,281	319,404
Other non-current assets	901,030	652,309
Total assets	<u>\$ 25,974,400</u>	<u>\$ 19,012,742</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current content liabilities	\$ 4,686,019	\$ 4,173,041
Accounts payable	562,985	359,555
Accrued expenses	477,417	315,094
Deferred revenue	760,899	618,622
Total current liabilities	6,487,320	5,466,312
Non-current content liabilities	3,759,026	3,329,796
Long-term debt	10,360,058	6,499,432
Other non-current liabilities	129,231	135,246
Total liabilities	20,735,635	15,430,786
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized at December 31, 2018 and 2017; no shares issued and outstanding at December 31, 2018 and 2017	—	—
Common stock, \$0.001 par value; 4,990,000,000 shares authorized at December 31, 2018 and December 31, 2017, respectively; 436,598,597 and 433,392,686 issued and outstanding at December 31, 2018 and December 31, 2017, respectively	2,315,988	1,871,396
Accumulated other comprehensive loss	(19,582)	(20,557)
Retained earnings	2,942,359	1,731,117
Total stockholders' equity	5,238,765	3,581,956
Total liabilities and stockholders' equity	<u>\$ 25,974,400</u>	<u>\$ 19,012,742</u>

See accompanying notes to consolidated financial statements.