

ADOBE INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	November 30, 2018	December 1, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,642,775	\$ 2,306,072
Short-term investments	1,586,187	3,513,702
Trade receivables, net of allowances for doubtful accounts of \$14,981 and \$9,151, respectively	1,315,578	1,217,968
Prepaid expenses and other current assets	312,499	210,071
Total current assets	4,857,039	7,247,813
Property and equipment, net	1,075,072	936,976
Goodwill	10,581,048	5,821,561
Purchased and other intangibles, net	2,069,001	385,658
Other assets	186,522	143,548
Total assets	\$ 18,768,682	\$ 14,535,556
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	\$ 186,258	\$ 113,538
Accrued expenses	1,163,185	993,773
Income taxes payable	35,709	14,196
Deferred revenue	2,915,974	2,405,950
Total current liabilities	4,301,126	3,527,457
Long-term liabilities:		
Debt	4,124,800	1,881,421
Deferred revenue	137,630	88,592
Income taxes payable	644,101	173,088
Deferred income taxes	46,702	279,941
Other liabilities	152,209	125,188
Total liabilities	9,406,568	6,075,687
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 2,000 shares authorized; none issued	—	—
Common stock, \$0.0001 par value; 900,000 shares authorized; 600,834 shares issued; 487,663 and 491,262 shares outstanding, respectively	61	61
Additional paid-in-capital	5,685,337	5,082,195
Retained earnings	11,815,597	9,573,870
Accumulated other comprehensive income (loss)	(148,130)	(111,821)
Treasury stock, at cost (113,171 and 109,572 shares, respectively), net of reissuances	(7,990,751)	(6,084,436)
Total stockholders' equity	9,362,114	8,459,869
Total liabilities and stockholders' equity	\$ 18,768,682	\$ 14,535,556

See accompanying Notes to Consolidated Financial Statements.

ADOBE INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Years Ended		
	November 30, 2018	December 1, 2017	December 2, 2016
Revenue:			
Subscription	\$ 7,922,152	\$ 6,133,869	\$ 4,584,833
Product	622,153	706,767	800,498
Services and support	485,703	460,869	469,099
Total revenue	9,030,008	7,301,505	5,854,430
Cost of revenue:			
Subscription	807,221	623,048	461,860
Product	46,009	57,082	68,917
Services and support	341,769	330,361	289,131
Total cost of revenue	1,194,999	1,010,491	819,908
Gross profit	7,835,009	6,291,014	5,034,522
Operating expenses:			
Research and development	1,537,812	1,224,059	975,987
Sales and marketing	2,620,829	2,197,592	1,910,197
General and administrative	744,898	624,706	576,202
Amortization of purchased intangibles	91,101	76,562	78,534
Total operating expenses	4,994,640	4,122,919	3,540,920
Operating income	2,840,369	2,168,095	1,493,602
Non-operating income (expense):			
Interest and other income (expense), net	39,536	36,395	13,548
Interest expense	(89,242)	(74,402)	(70,442)
Investment gains (losses), net	3,213	7,553	(1,570)
Total non-operating income (expense), net	(46,493)	(30,454)	(58,464)
Income before income taxes	2,793,876	2,137,641	1,435,138
Provision for income taxes	203,102	443,687	266,356
Net income	\$ 2,590,774	\$ 1,693,954	\$ 1,168,782
Basic net income per share	\$ 5.28	\$ 3.43	\$ 2.35
Shares used to compute basic net income per share	490,564	493,632	498,345
Diluted net income per share	\$ 5.20	\$ 3.38	\$ 2.32
Shares used to compute diluted net income per share	497,843	501,123	504,299

See accompanying Notes to Consolidated Financial Statements.

ADOBE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended		
	November 30, 2018	December 1, 2017	December 2, 2016
Cash flows from operating activities:			
Net income	\$ 2,590,774	\$ 1,693,954	\$ 1,168,782
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	346,492	325,997	331,535
Stock-based compensation	609,562	454,472	349,297
Deferred income taxes	(468,936)	51,605	24,222
Unrealized losses (gains) on investments, net	793	(5,494)	3,145
Excess tax benefits from stock-based compensation	—	—	(75,105)
Other non-cash items	7,193	4,625	2,022
Changes in operating assets and liabilities, net of acquired assets and assumed liabilities:			
Trade receivables, net	(1,983)	(187,173)	(160,416)
Prepaid expenses and other current assets	(77,225)	28,040	(71,021)
Trade payables	54,920	(45,186)	(6,281)
Accrued expenses	43,837	151,104	65,593
Income taxes payable	479,184	(34,493)	43,115
Deferred revenue	444,693	475,402	524,840
Net cash provided by operating activities	4,029,304	2,912,853	2,199,728
Cash flows from investing activities:			
Purchases of short-term investments	(566,084)	(1,931,011)	(2,285,222)
Maturities of short-term investments	765,860	759,737	769,228
Proceeds from sales of short-term investments	1,709,480	1,393,929	860,849
Acquisitions, net of cash acquired	(6,314,382)	(459,626)	(48,427)
Purchases of property and equipment	(266,579)	(178,122)	(203,805)
Purchases of long-term investments, intangibles and other assets	(18,513)	(29,918)	(58,433)
Proceeds from sale of long-term investments and other assets	4,923	2,134	5,777
Net cash used for investing activities	(4,685,295)	(442,877)	(960,033)
Cash flows from financing activities:			
Purchases of treasury stock	(2,050,000)	(1,100,000)	(1,075,000)
Proceeds from issuance of treasury stock	190,990	158,351	145,697
Taxes paid related to net share settlement of equity awards	(393,193)	(240,126)	(236,400)
Excess tax benefits from stock-based compensation	—	—	75,105
Proceeds from debt issuance, net of costs	2,248,342	—	—
Repayment of capital lease obligations	(1,707)	(1,960)	(108)
Net cash used for financing activities	(5,568)	(1,183,735)	(1,090,706)
Effect of foreign currency exchange rates on cash and cash equivalents	(1,738)	8,516	(14,234)
Net increase (decrease) in cash and cash equivalents	(663,297)	1,294,757	134,755
Cash and cash equivalents at beginning of year	2,306,072	1,011,315	876,560
Cash and cash equivalents at end of year	\$ 1,642,775	\$ 2,306,072	\$ 1,011,315
Supplemental disclosures:			
Cash paid for income taxes, net of refunds	\$ 210,369	\$ 396,668	\$ 249,884
Cash paid for interest	\$ 81,258	\$ 69,430	\$ 66,193
Non-cash investing activities:			
Investment in lease receivable applied to building purchase	\$ —	\$ 80,439	\$ —
Issuance of common stock and stock awards assumed in business acquisitions	\$ 2,784	\$ 10,348	\$ —

See accompanying Notes to Consolidated Financial Statements.