

ADOBE SYSTEMS INCORPORATED
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	December 1, 2017	December 2, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,306,072	\$ 1,011,315
Short-term investments	3,513,702	3,749,985
Trade receivables, net of allowances for doubtful accounts of \$9,151 and \$6,214, respectively	1,217,968	833,033
Prepaid expenses and other current assets	210,071	245,441
Total current assets	7,247,813	5,839,774
Property and equipment, net	936,976	816,264
Goodwill	5,821,561	5,406,474
Purchased and other intangibles, net	385,658	414,405
Investment in lease receivable	—	80,439
Other assets	143,548	139,890
Total assets	\$ 14,535,556	\$ 12,697,246
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	\$ 113,538	\$ 88,024
Accrued expenses	993,773	739,630
Income taxes payable	14,196	38,362
Deferred revenue	2,405,950	1,945,619
Total current liabilities	3,527,457	2,811,635
Long-term liabilities:		
Debt and capital lease obligations	1,881,421	1,892,200
Deferred revenue	88,592	69,131
Income taxes payable	173,088	184,381
Deferred income taxes	279,941	217,660
Other liabilities	125,188	97,404
Total liabilities	6,075,687	5,272,411
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; 491,262 and 494,254 shares outstanding, respectively	61	61
Additional paid-in-capital	5,082,195	4,616,331
Retained earnings	9,573,870	8,114,517
Accumulated other comprehensive income (loss)	(111,821)	(173,602)
Treasury stock, at cost (109,572 and 106,580 shares, respectively), net of reissuances	(6,084,436)	(5,132,472)
Total stockholders' equity	8,459,869	7,424,835
Total liabilities and stockholders' equity	\$ 14,535,556	\$ 12,697,246

See accompanying Notes to Consolidated Financial Statements.

ADOBE SYSTEMS INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Years Ended		
	December 1, 2017	December 2, 2016	November 27, 2015
Revenue:			
Subscription	\$ 6,133,869	\$ 4,584,833	\$ 3,223,904
Product	706,767	800,498	1,125,146
Services and support	460,869	469,099	446,461
Total revenue	7,301,505	5,854,430	4,795,511
Cost of revenue:			
Subscription	623,048	461,860	409,194
Product	57,082	68,917	90,035
Services and support	330,361	289,131	245,088
Total cost of revenue	1,010,491	819,908	744,317
Gross profit	6,291,014	5,034,522	4,051,194
Operating expenses:			
Research and development	1,224,059	975,987	862,730
Sales and marketing	2,197,592	1,910,197	1,683,242
General and administrative	624,706	576,202	533,478
Amortization of purchased intangibles	76,562	78,534	68,649
Total operating expenses	4,122,919	3,540,920	3,148,099
Operating income	2,168,095	1,493,602	903,095
Non-operating income (expense):			
Interest and other income (expense), net	36,395	13,548	33,909
Interest expense	(74,402)	(70,442)	(64,184)
Investment gains (losses), net	7,553	(1,570)	961
Total non-operating income (expense), net	(30,454)	(58,464)	(29,314)
Income before income taxes	2,137,641	1,435,138	873,781
Provision for income taxes	443,687	266,356	244,230
Net income	\$ 1,693,954	\$ 1,168,782	\$ 629,551
Basic net income per share	\$ 3.43	\$ 2.35	\$ 1.26
Shares used to compute basic net income per share	493,632	498,345	498,764
Diluted net income per share	\$ 3.38	\$ 2.32	\$ 1.24
Shares used to compute diluted net income per share	501,123	504,299	507,164

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ADOBE SYSTEMS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended		
	December 1, 2017	December 2, 2016	November 27, 2015
Cash flows from operating activities:			
Net income	\$ 1,693,954	\$ 1,168,782	\$ 629,551
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	325,997	331,535	339,473
Stock-based compensation	451,451	349,912	335,859
Deferred income taxes	51,605	24,222	(69,657)
Gain on the sale of property	—	—	(21,415)
Unrealized (gains) losses on investments	(5,494)	3,145	(9,210)
Excess tax benefits from stock-based compensation	—	(75,105)	(68,153)
Other non-cash items	4,625	2,022	1,216
Changes in operating assets and liabilities, net of acquired assets and assumed liabilities:			
Trade receivables, net	(187,173)	(160,416)	(79,502)
Prepaid expenses and other current assets	28,040	(71,021)	(7,701)
Trade payables	(45,186)	(6,281)	22,870
Accrued expenses	154,125	64,978	(22,564)
Income taxes payable	(34,493)	43,115	97,934
Deferred revenue	475,402	524,840	320,801
Net cash provided by operating activities	2,912,853	2,199,728	1,469,502
Cash flows from investing activities:			
Purchases of short-term investments	(1,931,011)	(2,285,222)	(2,064,833)
Maturities of short-term investments	759,737	769,228	371,790
Proceeds from sales of short-term investments	1,393,929	860,849	1,176,476
Acquisitions, net of cash acquired	(459,626)	(48,427)	(826,004)
Purchases of property and equipment	(178,122)	(203,805)	(184,936)
Proceeds from sale of property	—	—	57,779
Purchases of long-term investments, intangibles and other assets	(29,918)	(58,433)	(22,779)
Proceeds from sale of long-term investments	2,134	5,777	4,149
Net cash used for investing activities	(442,877)	(960,033)	(1,488,358)
Cash flows from financing activities:			
Purchases of treasury stock	(1,100,000)	(1,075,000)	(625,000)
Proceeds from issuance of treasury stock	158,351	145,697	164,270
Taxes paid related to net share settlement of equity awards	(240,126)	(236,400)	(186,373)
Excess tax benefits from stock-based compensation	—	75,105	68,153
Proceeds from debt issuance	—	—	989,280
Repayment of debt and capital lease obligations	(1,960)	(108)	(602,189)
Debt issuance costs	—	—	(8,828)
Net cash used for financing activities	(1,183,735)	(1,090,706)	(200,687)
Effect of foreign currency exchange rates on cash and cash equivalents	8,516	(14,234)	(21,297)
Net increase (decrease) in cash and cash equivalents	1,294,757	134,755	(240,840)
Cash and cash equivalents at beginning of year	1,011,315	876,560	1,117,400
Cash and cash equivalents at end of year	\$ 2,306,072	\$ 1,011,315	\$ 876,560
Supplemental disclosures:			
Cash paid for income taxes, net of refunds	\$ 396,668	\$ 249,884	\$ 203,010
Cash paid for interest	\$ 69,430	\$ 66,193	\$ 56,014
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	\$ 10,348	\$ —	\$ 677

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