

NETFLIX, INC.

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

	Year ended December 31,		
	2015	2014	2013
Revenues	\$6,779,511	\$5,504,656	\$4,374,562
Cost of revenues	4,591,476	3,752,760	3,117,203
Marketing	824,092	607,186	469,942
Technology and development	650,788	472,321	378,769
General and administrative	407,329	269,741	180,301
Operating income	305,826	402,648	228,347
Other income (expense):			
Interest expense	(132,716)	(50,219)	(29,142)
Interest and other income (expense)	(31,225)	(3,060)	(3,002)
Loss on extinguishment of debt	—	—	(25,129)
Income before income taxes	141,885	349,369	171,074
Provision for income taxes	19,244	82,570	58,671
Net income	<u>\$ 122,641</u>	<u>\$ 266,799</u>	<u>\$ 112,403</u>
Earnings per share:			
Basic	<u>\$ 0.29</u>	<u>\$ 0.63</u>	<u>\$ 0.28</u>
Diluted	<u>\$ 0.28</u>	<u>\$ 0.62</u>	<u>\$ 0.26</u>
Weighted-average common shares outstanding:			
Basic	<u>425,889</u>	<u>420,544</u>	<u>407,385</u>
Diluted	<u>436,456</u>	<u>431,894</u>	<u>425,327</u>

See accompanying notes to consolidated financial statements.

NETFLIX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income	\$ 122,641	\$ 266,799	\$ 112,403
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Additions to streaming content assets	(5,771,652)	(3,773,019)	(3,030,701)
Change in streaming content liabilities	1,162,413	593,125	673,785
Amortization of streaming content assets	3,405,382	2,656,279	2,121,981
Amortization of DVD content assets	79,380	71,491	71,325
Depreciation and amortization of property, equipment and intangibles	62,283	54,028	48,374
Stock-based compensation expense	124,725	115,239	73,100
Excess tax benefits from stock-based compensation	(80,471)	(89,341)	(81,663)
Other non-cash items	31,628	15,282	5,332
Loss on extinguishment of debt	—	—	25,129
Deferred taxes	(58,655)	(30,063)	(22,044)
Changes in operating assets and liabilities:			
Other current assets	18,693	(9,198)	43,177
Accounts payable	51,615	83,812	18,374
Accrued expenses	48,810	55,636	1,941
Deferred revenue	72,135	58,819	46,295
Other non-current assets and liabilities	(18,366)	(52,406)	(8,977)
Net cash (used in) provided by operating activities	(749,439)	16,483	97,831
Cash flows from investing activities:			
Acquisition of DVD content assets	(77,958)	(74,790)	(65,927)
Purchases of property and equipment	(91,248)	(69,726)	(54,143)
Other assets	(1,912)	1,334	5,939
Purchases of short-term investments	(371,915)	(426,934)	(550,264)
Proceeds from sale of short-term investments	259,079	385,300	347,502
Proceeds from maturities of short-term investments	104,762	141,950	60,925
Net cash used in investing activities	(179,192)	(42,866)	(255,968)
Cash flows from financing activities:			
Proceeds from issuance of common stock	77,980	60,544	124,557
Proceeds from issuance of debt	1,500,000	400,000	500,000
Issuance costs	(17,629)	(7,080)	(9,414)
Redemption of debt	—	—	(219,362)
Excess tax benefits from stock-based compensation	80,471	89,341	81,663
Principal payments of lease financing obligations	(545)	(1,093)	(1,180)
Net cash provided by financing activities	1,640,277	541,712	476,264
Effect of exchange rate changes on cash and cash equivalents	(15,924)	(6,686)	(3,453)
Net increase in cash and cash equivalents	695,722	508,643	314,674
Cash and cash equivalents, beginning of year	1,113,608	604,965	290,291
Cash and cash equivalents, end of year	\$ 1,809,330	\$ 1,113,608	\$ 604,965
Supplemental disclosure:			
Income taxes paid	\$ 27,658	\$ 50,573	\$ 7,465
Interest paid	111,761	41,085	19,114
Investing activities included in liabilities	18,824	23,802	11,508

See accompanying notes to consolidated financial statements.

NETFLIX, INC.

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

	As of December 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,809,330	\$1,113,608
Short-term investments	501,385	494,888
Current content assets, net	2,905,998	2,166,134
Other current assets	215,127	152,423
Total current assets	5,431,840	3,927,053
Non-current content assets, net	4,312,817	2,773,326
Property and equipment, net	173,412	149,875
Other non-current assets	284,802	192,246
Total assets	<u>\$10,202,871</u>	<u>\$7,042,500</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current content liabilities	\$ 2,789,023	\$2,117,241
Accounts payable	253,491	201,581
Accrued expenses	140,389	69,746
Deferred revenue	346,721	274,586
Total current liabilities	3,529,624	2,663,154
Non-current content liabilities	2,026,360	1,575,832
Long-term debt	2,371,362	885,849
Other non-current liabilities	52,099	59,957
Total liabilities	7,979,445	5,184,792
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized at December 31, 2015 and 2014; no shares issued and outstanding at December 31, 2015 and 2014	—	—
Common stock, \$0.001 par value; 4,990,000,000 and 160,000,000 shares authorized at December 31, 2015 and December 31, 2014, respectively; 427,940,440 and 422,910,887 issued and outstanding at December 31, 2015 and December 31, 2014, respectively	1,324,809	1,042,870
Accumulated other comprehensive loss	(43,308)	(4,446)
Retained earnings	941,925	819,284
Total stockholders' equity	2,223,426	1,857,708
Total liabilities and stockholders' equity	<u>\$10,202,871</u>	<u>\$7,042,500</u>

See accompanying notes to consolidated financial statements.