

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

	Year ended December 31,		
	2017	2016	2015
Revenues	\$ 11,692,713	\$ 8,830,669	\$ 6,779,511
Cost of revenues	7,659,666	6,029,901	4,591,476
Marketing	1,278,022	991,078	824,092
Technology and development	1,052,778	852,098	650,788
General and administrative	863,568	577,799	407,329
Operating income	838,679	379,793	305,826
Other income (expense):			
Interest expense	(238,204)	(150,114)	(132,716)
Interest and other income (expense)	(115,154)	30,828	(31,225)
Income before income taxes	485,321	260,507	141,885
Provision for (benefit from) income taxes	(73,608)	73,829	19,244
Net income	\$ 558,929	\$ 186,678	\$ 122,641
Earnings per share:			
Basic	\$ 1.29	\$ 0.44	\$ 0.29
Diluted	\$ 1.25	\$ 0.43	\$ 0.28
Weighted-average common shares outstanding:			
Basic	431,885	428,822	425,889
Diluted	446,814	438,652	436,456

See accompanying notes to consolidated financial statements.

NETFLIX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	\$ 558,929	\$ 186,678	\$ 122,641
Adjustments to reconcile net income to net cash used in operating activities:			
Additions to streaming content assets	(9,805,763)	(8,653,286)	(5,771,652)
Change in streaming content liabilities	900,006	1,772,650	1,162,413
Amortization of streaming content assets	6,197,817	4,788,498	3,405,382
Amortization of DVD content assets	60,657	78,952	79,380
Depreciation and amortization of property, equipment and intangibles	71,911	57,528	62,283
Stock-based compensation expense	182,209	173,675	124,725
Excess tax benefits from stock-based compensation	—	(65,121)	(80,471)
Other non-cash items	57,207	40,909	31,628
Foreign currency remeasurement loss on long-term debt	140,790	—	—
Deferred taxes	(208,688)	(46,847)	(58,655)
Changes in operating assets and liabilities:			
Other current assets	(234,090)	46,970	18,693
Accounts payable	74,559	32,247	51,615
Accrued expenses	114,337	68,706	48,810
Deferred revenue	177,974	96,751	72,135
Other non-current assets and liabilities	(73,803)	(52,294)	(18,366)
Net cash used in operating activities	(1,785,948)	(1,473,984)	(749,439)
Cash flows from investing activities:			
Acquisitions of DVD content assets	(53,720)	(77,177)	(77,958)
Purchases of property and equipment	(173,302)	(107,653)	(91,248)
Other assets	(6,689)	(941)	(1,912)
Purchases of short-term investments	(74,819)	(187,193)	(371,915)
Proceeds from sale of short-term investments	320,154	282,484	259,079
Proceeds from maturities of short-term investments	22,705	140,245	104,762
Net cash provided by (used in) investing activities	34,329	49,765	(179,192)
Cash flows from financing activities:			
Proceeds from issuance of debt	3,020,510	1,000,000	1,500,000
Issuance costs	(32,153)	(10,700)	(17,629)
Proceeds from issuance of common stock	88,378	36,979	77,980
Excess tax benefits from stock-based compensation	—	65,121	80,471
Other financing activities	255	230	(545)
Net cash provided by financing activities	3,076,990	1,091,630	1,640,277
Effect of exchange rate changes on cash and cash equivalents	29,848	(9,165)	(15,924)
Net increase (decrease) in cash and cash equivalents	1,355,219	(341,754)	695,722
Cash and cash equivalents, beginning of year	1,467,576	1,809,330	1,113,608
Cash and cash equivalents, end of year	<u>\$ 2,822,795</u>	<u>\$ 1,467,576</u>	<u>\$ 1,809,330</u>
Supplemental disclosure:			
Income taxes paid	\$ 113,591	\$ 26,806	\$ 27,658
Interest paid	213,313	138,566	111,761
Increase (decrease) in investing activities included in liabilities	(32,643)	27,504	(4,978)

See accompanying notes to consolidated financial statements.

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

	As of December 31,	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,822,795	\$ 1,467,576
Short-term investments	—	266,206
Current content assets, net	4,310,934	3,726,307
Other current assets	536,245	260,202
Total current assets	7,669,974	5,720,291
Non-current content assets, net	10,371,055	7,274,501
Property and equipment, net	319,404	250,395
Other non-current assets	652,309	341,423
Total assets	<u>\$ 19,012,742</u>	<u>\$ 13,586,610</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current content liabilities	\$ 4,173,041	\$ 3,632,711
Accounts payable	359,555	312,842
Accrued expenses	315,094	197,632
Deferred revenue	618,622	443,472
Total current liabilities	5,466,312	4,586,657
Non-current content liabilities	3,329,796	2,894,654
Long-term debt	6,499,432	3,364,311
Other non-current liabilities	135,246	61,188
Total liabilities	15,430,786	10,906,810
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized at December 31, 2017 and 2016; no shares issued and outstanding at December 31, 2017 and 2016	—	—
Common stock, \$0.001 par value; 4,990,000,000 shares authorized at December 31, 2017 and December 31, 2016, respectively; 433,392,686 and 430,054,212 issued and outstanding at December 31, 2017 and December 31, 2016, respectively	1,871,396	1,599,762
Accumulated other comprehensive loss	(20,557)	(48,565)
Retained earnings	1,731,117	1,128,603
Total stockholders' equity	3,581,956	2,679,800
Total liabilities and stockholders' equity	<u>\$ 19,012,742</u>	<u>\$ 13,586,610</u>

See accompanying notes to consolidated financial statements.