Financial Disclaimer

Some of the information discussed in this presentation contains forward-looking statements that involve risk and uncertainty. Actual results may differ materially from those set forth in such statements. For a discussion of the risks and uncertainties, you should review Adobe’s SEC filings, including the annual report on Form 10-K for fiscal year 2017 and the quarterly reports on Form 10-Q filed by the company in 2018. In our presentation, we may discuss non-GAAP financial measures. The GAAP financial measures that correspond to such non-GAAP measures, as well as the reconciliation between the two, are available on our website at http://www.adobe.com/ADBE.

Adobe does not undertake an obligation to update forward-looking statements.
Adobe's Vision

Changing the World
Through Digital Experiences

Trends Driving Adobe's Business

Experience is the Currency of Customer Satisfaction

Digital Transformation Leads the C-Suite Agenda

Customers Buy Experiences, Not Products

Intelligence is Everywhere

It's the Golden Age of Design & Creativity

Everyone has a Story to Tell

Paper & Processes are Going Digital

Content & Screens are Multiplying
Changing the World Through Digital Experiences

- World beyond screens
- Multi-surface & cloud-first workflows
- Democratizing creativity with AI
- Understanding documents
- Reimagined enterprise experience

Changing the World Through Digital Experiences

- Connecting SaaS silos
- Hyper-scale & multi-cloud
- True cross-cloud unlock
- Enabling new enterprise ecosystem
Adobe's Proven Track Record of Transformation

Empowering People To Create

From Applications to Suites
- Graphics & publishing
- Acrobat & PDF franchise
- Creative pro desktop

Move to the Cloud
- Subscriptions & recurring revenue
- New users & new services
- Digital Marketing leadership

Platforms & Intelligence
- Creativity for All
- Platform for Digital Documents
- Reimagining Customer Experience Management (CXM)

Transforming
How Businesses Compete

Adobe Sensei

Creative intelligence
Content intelligence
Experience intelligence

Putting artificial intelligence and machine learning at the center of amazing customer experiences
Adobe Experience Platform

Leveraging Our Core Capabilities

Innovation Engine

Broad Range of Customers

Thriving Ecosystem

Exceptional Brand & Team
Expanding Total Addressable Market

Category Creation & Expansion
- Creativity for All
- Platform for Digital Documents
- Reimagining CXM

Technology Drivers
- New media, devices & modalities
- Intelligence everywhere
- Investments in platforms

Customer Expansion
- Creative pros, office workers, consumers, students
- Marketers, data scientists, developers
- CMO, CEO, CIO
- Vertical & global markets

Adobe's Growth Story

Empowering People to Create

Transforming How Businesses Compete

~$108B
Total Addressable Market

Innovation Engine
Broad Customer Reach
Thriving Ecosystem
Exceptional Brand & Team

Source: Adobe, October 2018
Adobe's Digital Media Business

Empowering People To Create

Trends Driving Digital Media Business

- Democratization of Creativity
- Experience Business
- Paper-to-Digital
- Emerging Social Platforms
- Everyone is a Storyteller
- Experience Businesses
- Mobile & Cloud Productivity
Data-Driven Operating Model (DDOM)
World Class Customer Experience Management

- Expanded touchpoints
- Geographic differences
- Mobile offerings
- Value discovery
- Upsell/cross-sell
- Customer segmentation
- Cross-device experience
- Multi-year offerings
- Triggered actions
- Stock attach
- Marketing attribution
- Tailored paywalls
- Targeted promotions
- Conversion optimization
- Community
- Sign attach
- Training
- Seat expansion


Desktop
Web
Mobile
Ecosystem

CREATE
SCAN
EDIT
SIGN
COLLABORATE

SENSEI
Adobe Document Cloud Business Momentum

>250B
PDFs opened in Adobe apps in last 4 quarters

~630M
Document Cloud mobile app installs

>20%
Acrobat Y/Y unit growth for 5 consecutive quarters

>40%
Of subscribers new to Acrobat franchise

>45%
Channel units are subscription

~50%
Acrobat Enterprise seats licensed with services

>50%
Fortune 100 use Adobe Sign

Source: Adobe, as of Q3FY18
1 Across Creative Cloud and Adobe Document Cloud, Q2FY18 through Q3FY18
2 Subscription units as a percentage of total units licensed through reseller channel including perpetually licensed units

Adobe Document Cloud Powers Digital Transformation

Digital Enrollment
Modern processes for customer onboarding
HSBC Retail Banking

Paper to Digital
Reduce paper and accelerate efficiency
State of Hawaii

Sales Acceleration
Contracts reviewed, approved and signed faster
Merck

Forms and eSignatures transformed customer experience, reducing enrollment time from weeks to minutes

Moved ~400k documents online, improving citizen access and saving ~$5M over 2.5 years

eSignatures accelerated business with ~14x faster time to close, from >7 days to hours

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New Acrobat DC: Reimagining How Work Gets Done with PDF

Scan  Multi-surface  Collaborate  Edit  Sign

Adobe Document Cloud Growth Drivers

CORE
- PDF category growth and reinvention
- Acrobat migration to subscription
- Free to paid conversion
- SMB & enterprise seat expansion
- International growth
- Product line optimization
- Anti-piracy

MARKET EXPANSION
- New mobile users
- Cloud services; Scan, Edit, Collaborate, Sign
- Partnerships

VALUE EXPANSION
- Paper to Digital transformation, including eSignatures
- Collaboration
- Document intelligence

Source: Adobe, October 2018
2021 Adobe Document Cloud Total Addressable Market

Document Cloud 2020 TAM
$5.3B
Total Addressable Market

Document Cloud 2021 TAM
$7.5B
Total Addressable Market

$2.5B
Core

$0.5B
Market Expansion

$4.5B
Value Expansion

Source: Adobe, October 2018

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Creative Cloud: The Platform for Creativity

Desktop

Mobile

Web

Community

Marketplace

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Creative Cloud: The Platform for Creativity

Creative Cloud Business Momentum

- **>110M**: Adobe IDs created to access CC mobile apps
- **>45%**: Cumulative new subscribers to Creative Cloud franchise
- **>3M**: XD downloads
- **~14M**: Behance members
- **>80%**: Enterprise seats licensed with services
- **~40%**: Y/Y growth for Photography offerings
- **>30%**: Y/Y revenue growth for Adobe Stock

Source: Adobe, as of Q3 FY2018

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Creative Cloud Growth Drivers

**CORE**
- CS migration to subscription
- Growth in new creative jobs
- Growth with student use
- New media types
- SMB & enterprise seat expansion
- International & emerging markets
- Anti-piracy
- Product line optimization
- Free-to-paid conversion

**MARKET EXPANSION**
- Photo & video enthusiasts
- Social media marketers
- Mobile app users
- Photoshop on the iPad
- Lightroom perpetual and Elements migration to subscriptions
- Partnerships

**VALUE EXPANSION**
- Stock content
- Collaboration
- Marketplace for learn and creative services

---

2021 Creative Cloud Total Addressable Market

**Creative Cloud 2020 TAM**
- $24.2B Total Addressable Market

**Creative Cloud 2021 TAM**
- $29.2B Total Addressable Market
  - $14.5B Core
  - $7.2B Market Expansion
  - $7.5B Value Expansion

Source: Adobe, October 2018
Empowering People to Create
Digital Media Summary

- Explosion of new content and document experiences
- Continued innovation in Creative Cloud features, products, apps, services and support driving subscriber value
- Expanding customer opportunities resulting in larger TAM
- Strong Document Cloud growth driven by product innovation and move to subscriptions, apps and cloud services
- Mobile is powerful new frontier for demand and innovation
- Data-driven operating model and long list of growth drivers can fuel continued Digital Media ARR growth

2021 MARKET OPPORTUNITY

<table>
<thead>
<tr>
<th>Creative Cloud</th>
<th>$29.2B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document Cloud</td>
<td>$7.5B</td>
</tr>
</tbody>
</table>

$36.7B Addressable Market

Adobe's Digital Experience Business

Transforming How Businesses Compete

Source: Adobe, October 2018
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DIGITAL TRANSFORMATION

What the C-Suite is Asking Today

- How do I get a handle on content production costs?
- How do I acquire more customers?
- How do I create a direct ongoing relationship with my customers in the digital age?
- How can I do personalization at scale?
- Who is my customer?
- How do I bring my customer data together?
- What is the impact of my marketing spend?
- How do I ensure compliance with GDPR?

Adobe Experience Cloud

A collection of best-in-class solutions for marketing, analytics, advertising and commerce, integrated on a cloud platform for a single experience system of record

- Data-driven marketing – organize and analyze large amounts of data to gain actionable marketing insight
- Mobile marketing – effectively make, manage, measure and monetize mobile apps
- Customer experiences – deliver personalized and relevant digital experiences across screens and devices
- Cross-channel marketing – deliver and measure B2B and B2C campaigns that are consistent across all marketing channels
- Programmatic advertising – automate ad buying based on data
- Commerce – orchestrate the entire customer journey and make every experience shoppable
Digital Experience Business Momentum

Annual Revenue

$2.5B
$2.0B
$1.5B
$1.0B
$0.5B
$0.0B


* Reflects FY2018 YTD results and Q4FY18 target
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Adobe Experience Cloud Momentum

Land & Expand

~33%  Of new bookings from new customers

~39%  Of all customers have 2+ solutions

~77%  Of top 500 customers have 3+ solutions

~92%  Of top 100 customers have 3+ solutions

Ecosystem

>200%  Y/Y growth in Microsoft partnership related bookings

~92%  Uplift in new ASV on deals sold with a partner

~139%  Y/Y growth in Adobe Exchange tech partners

>300k  Developers in Magento community

Source: Adobe
1. Based on FY2018 YTD new Annual Subscription Value (ASV) bookings, as of Q3FY18
2. As of Q3FY18
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Adobe Experience Cloud Momentum

Product

Per Second  
>3.5B  
Ad opportunities evaluated

>2B  
Profile activations distributed

Per Hour  
~4M  
Ad hoc queries generated by Experience Cloud users against trillions of rows of data

~2.5B  
Events fed into profile and analytics systems

Per Day  
~15B  
Web pages served

~100B  
Third party records onboarded

~3.3B  
Targeted offers served

Source: Adobe

*Profile activations distributed into downstream and third-party systems

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Land & Expand with Customers

Industry  
Large Multi-Channel Retailer

Use Cases
- Increase e-commerce revenue
- More efficient audience reach in advertising
- Decrease time to update/change website

ARR Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>ARR Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$3.6M</td>
</tr>
<tr>
<td>4</td>
<td>$8.6M</td>
</tr>
</tbody>
</table>

Business Impact

~$250M in incremental revenue

Large Telecommunications Provider

Use Cases
- Reduce churn to competitive carrier
- Increase ARPU via cross selling new plans
- Increase sales within shopping cart

ARR Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>ARR Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1.6M</td>
</tr>
<tr>
<td>4</td>
<td>$4.4M</td>
</tr>
</tbody>
</table>

Business Impact

~$50M in profits

Large Automotive Manufacturer

Use Cases
- Increase online appointments for dealerships
- Match financing offers to website visitors
- Increase email campaign click through to offer rate

ARR Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>ARR Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$3.4M</td>
</tr>
<tr>
<td>4</td>
<td>$9.6M</td>
</tr>
</tbody>
</table>

Business Impact

~2x email open rate
Increased engagement
Land & Expand with Customers

### Large Financial Services Company
- **Use Cases**
  - Increase credit card application conversions
  - Ensure regulatory data compliance
  - Lower acquisition costs in commercial banking
- **ARR Growth**
  - Year 1: $2.8M
  - Year 4: $8.0M
- **Business Impact**
  - ~70% increase in customer engagement tied to high value actions

### Large International Airline
- **Use Cases**
  - Improve continuity across channels
  - Automate media campaigns
  - Increased loyalty program membership
- **ARR Growth**
  - Year 1: $0.2M
  - Year 4: $2.4M
- **Business Impact**
  - Personalization: Created more contextual emails that saw the revenue generated from the emails increase by ~66 percent
  - ~$14 million in annual incremental revenue

### Large/Media Company
- **Use Cases**
  - Asset centralization
  - Lower operating cost
  - More profitable audience segmentation
- **ARR Growth**
  - Year 1: $2.6M
  - Year 4: $5.7M

---

Land & Expand with Customers

### B2B Power Management Company
- **Use Cases**
  - Asset centralization
  - Lower operating cost
  - Create relevant experiences across channels
- **ARR Growth**
  - Year 1: $1K
  - Year 4: $340K
- **Business Impact**
  - ~4X efficiency gains

### Small Financial Services Company
- **Use Cases**
  - Decrease cost-per-conversion
  - Increase application completion rate
  - Integrate online and offline data for one customer view across brands and channels
- **ARR Growth**
  - Year 1: $1K
  - Year 4: $800K
- **Business Impact**
  - ~300% increase in conversions across channels

### Mid-sized International Airline
- **Use Cases**
  - Improve continuity across channels
  - Automate media campaigns
  - Increased loyalty program membership
- **ARR Growth**
  - Year 1: $165K
  - Year 4: >$1M
- **Business Impact**
  - Reduced campaign launch time by ~90%, increased website update capacity by ~10X
Enterprises are Challenged to Deliver on the Customer Experience Agenda

Escalating Customer Expectations
New Engagement & Business Models
Existing Systems Struggling to Interoperate and Scale

Pillars of Customer Experience Management (CXM)

Open, Real-time Unified Profile
Content Velocity
Cross-channel Orchestration
Intelligence
Ecosystem
Adobe is the Leader in CXM Category

Open, Real-time Unified Profile
Customer Analytics/Data Management & Platform Leadership

Content Velocity
Content Creation & Management Leadership

Cross-channel Orchestration
Real-time, Cross-channel, Experience Delivery Management Leadership

Intelligence
Adobe Sensei AI Leadership

Ecosystem
Partner & Developer Leadership

Adobe Experience Platform: Architected for CXM

Unified Experiences
Adobe Experience Platform

Front Office
Back Office

Digital Behavior
Transactions
Location
Service Tickets
Last Purchase

Orchestration
Subscriptions
Content Preferences
Preferred Device

Product Use

Real-time Unified Profile

Demographics

Mobile
Web
Display Ads
Social
Email
Mailer / Print
Call Center
Video / TV
In Store / Venue
IoT

POS
Merchandising
Commerce
CRM

Inventory Management
Store Operations
ERP
Business Intelligence
Open Data Initiative

Reimagining the Customer Experience Management (CXM) category with a common data initiative that will enable seamless flow of connected customer data.

- Organizations own their data
- Individuals dictate data preferences

- One data model
- Data & AI

Adobe Experience Cloud: Adding eCommerce with Magento

- Adds market-leading commerce platform to Adobe Experience Cloud
- Makes Adobe more mission-critical to customers
- Increases Digital Experience revenue growth and expands market opportunity
Adobe Experience Cloud: Enhancing B2B Offering with Marketo

- Adds market-leading B2B marketing engagement platform to Adobe Experience Cloud
- Widens Adobe's lead in customer experience across B2B and B2C
- Accelerates Digital Experience revenue growth and expands market opportunity

Adobe Experience Cloud

- Advertising Cloud
  - Cross-channel Performance without compromise
  - Independent
  - DSP
  - Search
  - Creative
  - TV

- Analytics Cloud
  - Meaningful measurement
  - Precise audience creation
  - Instant insights in action
  - Analytics
  - Audience Manager

- Marketing Cloud
  - Manage, personalize, optimize and orchestrate cross-channel experiences and campaigns for both B2B and B2C use cases at scale
  - Marketo Engagement Platform
  - Campaign
  - Target
  - Experience Manager

- Magento Commerce Cloud
  - Create highly engaging shopping experiences
  - Personalize every experience
  - Anticipate customer needs
  - Magento Digital Commerce
  - Magento Business Intelligence Management
  - Magento Order Management
Adobe Experience Cloud Growth Drivers

<table>
<thead>
<tr>
<th>Go-to-Market Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>New logos, cross-sell and upsell</td>
</tr>
<tr>
<td>- Customer segmentation drives account penetration</td>
</tr>
<tr>
<td>- Industry approach creates new opportunities</td>
</tr>
<tr>
<td>- International markets offer significant expansion opportunity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product &amp; Category Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>New logos, crosssell and upsell</td>
</tr>
<tr>
<td>- Customer Experience Management</td>
</tr>
<tr>
<td>- B2B opportunity</td>
</tr>
<tr>
<td>- Commerce opportunity</td>
</tr>
<tr>
<td>- Adobe Experience Platform and Open Data Initiative</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ecosystem Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grow ARR and win rate%</td>
</tr>
<tr>
<td>- Go-to-market partners</td>
</tr>
<tr>
<td>- Innovation partners</td>
</tr>
<tr>
<td>- New monetization (marketplaces and platforms)</td>
</tr>
</tbody>
</table>

2021 Digital Experience Total Addressable Market

- Experience Cloud 2020 TAM: $53.2B Total Addressable Market
- Experience Cloud 2021 TAM: $71.2B Total Addressable Market

- $37.6B* Marketing Cloud
- $18.5B** Analytics Cloud
- $9.2B Advertising Cloud
- $5.9B Commerce Cloud

* Includes incremental Markets TAM
** Includes incremental Adobe Experience Platform TAM
Source: Adobe, October 2018
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Enabling Digital Transformation

Digital Experience Summary

- Large tailwinds continue to be fueled by digital transformation and customer experience waves
- First mover and market leader with most complete customer experience offering
- Land and expand strategy with existing customers and success acquiring new logos driving growth
- Strong partnerships increasing opportunities and building competitive advantage
- Expansion into commerce and strong B2B offering increase an already large TAM, and will accelerate growth rates

Source: Adobe, October 2018

Adobe's Business Momentum

Total Revenue and Margin

Adobe Revenue & GAAP Operating Margin

$71.2B
Addressable Market

<table>
<thead>
<tr>
<th>Cloud Type</th>
<th>2021 Market Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Cloud</td>
<td>$37.6B</td>
</tr>
<tr>
<td>Analytics Cloud</td>
<td>$18.5B</td>
</tr>
<tr>
<td>Advertising Cloud</td>
<td>$9.2B</td>
</tr>
<tr>
<td>Commerce Cloud</td>
<td>$5.9B</td>
</tr>
</tbody>
</table>

Source: Adobe, October 2018

* Based on FY2018 YTD results and Q4FY18 financial targets
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Adobe’s Business Momentum

**Capital Structure**

- **Strong liquidity position**
  - >$2.0B of cash and short-term investments
  - $1.0B unutilized credit facility, extended and remains available until 2023
- **Conservative leverage approach**
  - $1.9B of public debt outstanding
  - $2.25B of bank term debt maturing April 30, 2020
  - Rated A by S&P
  - Rated A3 by Moody’s
- Excess cash returned to stockholders through stock repurchase

Source: Adobe, November 2018
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**Tax Reform and Trading Structure Planning**

**October 15, 2018**

<table>
<thead>
<tr>
<th></th>
<th>Q4FY17</th>
<th>Q1FY18</th>
<th>Q2FY18</th>
<th>Q3FY18</th>
<th>Q4FY18E</th>
<th>FY2019E</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP</td>
<td>22%</td>
<td>17%</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>Non-GAAP</td>
<td>21%</td>
<td>11%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Notes:
1. Actual tax rates may vary from targets because some tax rate benefits come from stock-based compensation, we expect more technical guidance on the Tax Act during Q2Q3 FY2019, and we expect uncertainty related to enforcement and regulations in the US and around the world.
2. A detailed reconciliation between GAAP and non-GAAP rates can be found on Adobe’s Investor Relations website and in this presentation

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GAAP to Non-GAAP Reconciliation

The following tables show Adobe's GAAP tax rates and operating margins reconciled to the non-GAAP tax rates and operating margins included in this presentation.

<table>
<thead>
<tr>
<th>Operating Margins</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP operating margin</td>
<td>18.8%</td>
<td>25.5%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Stock-based and deferred compensation</td>
<td>7.0</td>
<td>6.0</td>
<td>6.3</td>
</tr>
<tr>
<td>Amortization of purchased intangibles and technology license arrangements</td>
<td>3.3</td>
<td>2.3</td>
<td>2.0</td>
</tr>
<tr>
<td>Loss contingency (reversal)</td>
<td>(0.2)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-GAAP operating margin</td>
<td>28.9%</td>
<td>33.8%</td>
<td>38.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income Tax Rates</th>
<th>Q4FY17</th>
<th>Q3FY18</th>
<th>Q2FY18</th>
<th>Q1FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP effective income tax rate</td>
<td>22.0%</td>
<td>17.0%</td>
<td>4.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Impacts of the Tax Act</td>
<td>-</td>
<td>(7.0)</td>
<td>(3.0)</td>
<td>1.0</td>
</tr>
<tr>
<td>Trading structure change</td>
<td>-</td>
<td>-</td>
<td>(6.0)</td>
<td>-</td>
</tr>
<tr>
<td>Income tax adjustments</td>
<td>(1.2)</td>
<td>9.0</td>
<td>(2.9)</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Stock-based and deferred compensation</td>
<td>0.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Resolution of income tax examinations</td>
<td>-</td>
<td>-</td>
<td>2.0</td>
<td>-</td>
</tr>
<tr>
<td>Non-GAAP effective income tax rate</td>
<td>21.0%</td>
<td>11.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Source: Adobe, October 2018

New Accounting Standards Update

October 15, 2018

ASC 606 and ASC 340-40

- Adobe cloud offerings recognized ratably
- On premise license revenue recognized upfront
- New disclosure of remaining performance obligations (RPO) and unbilled receivables
- Certain costs expensed today will be capitalized, e.g. sales commissions

Impact

- Annual consolidated revenue and expense largely unchanged
- One-time impact to retained earnings from deferred and unbilled revenue will be immaterial
- Capitalized asset to be amortized based on several factors, e.g. customer life
Key New Terminology – Disclosures and Earnings

- **Unbilled Backlog**
  - Unbilled
  - Billed

- **Deferred Revenue**
  - Unbilled
  - Billed

ASC 605

ASC 606

- **Remaining performance obligation (RPO)**
  Remaining committed and allocated revenue that is billed or unbilled

- **Noncurrent RPO**
  Revenue recognized 12 months+

- **Current RPO**
  Revenue recognized in next 12 months

- **Unbilled receivable**
  Receivable recognized when revenue exceeds billings on a contractual basis

Adobe Summary: Growth and Margin at Scale

- **Large, expanding opportunity**
  ~$108B TAM in 2021

- **Strong business momentum and market leadership**

- **Strong ecosystem and partnerships**

- **Investing for top-line and bottom-line growth**
FOR IMMEDIATE RELEASE

Adobe Reports Record Revenue
Digital Experience Subscription Revenue Grows 25 Percent Year-Over-Year in Q3

SAN JOSE, Calif. — September 13, 2018 — Adobe (Nasdaq:ADBE) today reported strong financial results for its third quarter fiscal year 2018 ended August 31, 2018.

Financial Highlights

• Adobe achieved record quarterly revenue of $2.29 billion in its third quarter of fiscal year 2018, which represents 24 percent year-over-year revenue growth.

• Diluted earnings per share was $1.34 on a GAAP-basis, and $1.73 on a non-GAAP basis.

• Digital Media segment revenue was $1.61 billion, with Creative revenue growing to $1.36 billion and Document Cloud achieving record revenue of $249 million, which represents 21 percent year-over-year growth.

• Digital Media Annualized Recurring Revenue (“ARR”) grew to $6.40 billion exiting the quarter, a quarter-over-quarter increase of $339 million. Creative ARR grew to $5.66 billion, and Document Cloud ARR grew to $744 million.

• Digital Experience segment revenue was $614 million, which represents 21 percent year-over-year growth. Digital Experience subscription revenue grew 25 percent year-over-year in the quarter.

• Operating income grew 32 percent and net income grew 59 percent year-over-year on a GAAP-basis; operating income grew 32 percent and net income grew 57 percent year-over-year on a non-GAAP basis.

• Cash flow from operations was $955 million, and deferred revenue grew 23 percent year-over-year to approximately $2.71 billion.

• Adobe repurchased approximately 2.9 million shares during the quarter, returning $714 million of cash to stockholders.

A reconciliation between GAAP and non-GAAP results is provided at the end of this press release and on Adobe’s website.

Executive Quotes

"Adobe continues to inspire creativity and drive business transformation as reflected in our record Q3 results," said Shantanu Narayen, president and CEO, Adobe. "Students, creatives, enterprises and governments trust Creative Cloud, Document Cloud and Experience Cloud to create and deliver the transformative digital experiences required to compete today."

“Our strong momentum continued into the second half of fiscal 2018 as Adobe delivered another quarter of sustained revenue growth, strong earnings and cash flow of nearly $1 billion,” said John Murphy, executive vice president and CFO, Adobe.
Adobe to Webcast Earnings Conference Call

Adobe will webcast its third quarter fiscal year 2018 earnings conference call today at 2:00 p.m. Pacific Time from its investor relations website: www.adobe.com/ADBE. Earnings documents, including Adobe management’s prepared conference call remarks with slides, financial targets and an investor datasheet are posted to Adobe’s investor relations website in advance of the conference call for reference. A reconciliation between GAAP and non-GAAP earnings results and financial targets is also provided on the website.

Forward-Looking Statements Disclosure

This press release contains forward-looking statements, including those related to business momentum, our market opportunity, revenue, annualized recurring revenue, non-operating other expense, tax rate on a GAAP and non-GAAP basis, earnings per share on a GAAP and non-GAAP basis, and share count, all of which involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to: failure to develop, acquire, market and offer products and services that meet customer requirements, failure to compete effectively, introduction of new technology, complex sales cycles, risks related to the timing of revenue recognition from our subscription offerings, fluctuations in subscription renewal rates, risks associated with cyber-attacks, potential interruptions or delays in hosted services provided by us or third parties, information security and privacy, failure to realize the anticipated benefits of past or future acquisitions, changes in accounting principles and tax regulations, uncertainty in the financial markets and economic conditions in the countries where we operate, and other various risks associated with being a multinational corporation. For a discussion of these and other risks and uncertainties, please refer to Adobe’s Annual Report on Form 10-K for our fiscal year 2017 ended Dec. 1, 2017, and Adobe’s Quarterly Reports on Form 10-Q issued in fiscal year 2018.

The financial information set forth in this press release reflects estimates based on information available at this time. These amounts could differ from actual reported amounts stated in Adobe’s Quarterly Report on Form 10-Q for our quarter ended August 31, 2018, which Adobe expects to file in September 2018.

Adobe assumes no obligation to, and does not currently intend to, update these forward-looking statements.

About Adobe

Adobe is changing the world through digital experiences. For more information, visit www.adobe.com.

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## Condensed Consolidated Statements of Income
(In thousands, except per share data; unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Nine Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>August 31, 2018</td>
<td>September 1, 2017</td>
</tr>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscription</td>
<td>$2,021,505</td>
<td>$1,570,336</td>
</tr>
<tr>
<td>Product</td>
<td>149,127</td>
<td>158,961</td>
</tr>
<tr>
<td>Services and support</td>
<td>120,444</td>
<td>111,777</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>2,291,076</td>
<td>1,841,074</td>
</tr>
<tr>
<td><strong>Cost of revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscription</td>
<td>199,157</td>
<td>168,915</td>
</tr>
<tr>
<td>Product</td>
<td>11,454</td>
<td>11,709</td>
</tr>
<tr>
<td>Services and support</td>
<td>84,881</td>
<td>82,298</td>
</tr>
<tr>
<td><strong>Total cost of revenue</strong></td>
<td>295,492</td>
<td>262,922</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>1,995,584</td>
<td>1,578,152</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>398,957</td>
<td>315,555</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>670,084</td>
<td>550,093</td>
</tr>
<tr>
<td>General and administrative</td>
<td>184,063</td>
<td>147,402</td>
</tr>
<tr>
<td>Amortization of purchased intangibles</td>
<td>23,874</td>
<td>19,428</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>1,276,978</td>
<td>1,032,478</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>718,606</td>
<td>545,674</td>
</tr>
<tr>
<td><strong>Non-operating income (expense):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and other income (expense), net</td>
<td>1,608</td>
<td>13,539</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(21,107)</td>
<td>(18,809)</td>
</tr>
<tr>
<td>Investment gains (losses), net</td>
<td>2,251</td>
<td>975</td>
</tr>
<tr>
<td><strong>Total non-operating income (expense), net</strong></td>
<td>(17,248)</td>
<td>(4,295)</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>701,358</td>
<td>541,379</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>35,067</td>
<td>121,810</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$666,291</td>
<td>$419,569</td>
</tr>
<tr>
<td><strong>Basic net income per share</strong></td>
<td>$1.36</td>
<td>$0.85</td>
</tr>
<tr>
<td>Shares used to compute basic net income per share</td>
<td>490,025</td>
<td>493,426</td>
</tr>
<tr>
<td><strong>Diluted net income per share</strong></td>
<td>$1.34</td>
<td>$0.84</td>
</tr>
<tr>
<td>Shares used to compute diluted net income per share</td>
<td>496,866</td>
<td>500,398</td>
</tr>
</tbody>
</table>
### Condensed Consolidated Balance Sheets
(In thousands, except par value; unaudited)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>August 31, 2018</th>
<th>December 1, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>1,747,144</td>
<td>2,306,072</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>3,197,326</td>
<td>3,513,702</td>
</tr>
<tr>
<td>Trade receivables, net of allowances for doubtful accounts of $12,034 and $9,151, respectively</td>
<td>1,044,507</td>
<td>1,217,968</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>311,936</td>
<td>210,071</td>
</tr>
<tr>
<td>Total current assets</td>
<td>6,300,913</td>
<td>7,247,813</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,019,260</td>
<td>936,976</td>
</tr>
<tr>
<td>Goodwill</td>
<td>7,136,853</td>
<td>5,821,561</td>
</tr>
<tr>
<td>Purchased and other intangibles, net</td>
<td>669,476</td>
<td>385,658</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>85,297</td>
<td>—</td>
</tr>
<tr>
<td>Other assets</td>
<td>183,821</td>
<td>143,548</td>
</tr>
<tr>
<td>Total assets</td>
<td>$15,395,620</td>
<td>$14,535,556</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND STOCKHOLDERS’ EQUITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>145,566</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>1,020,047</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>11,222</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>2,615,192</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>3,792,027</td>
</tr>
<tr>
<td>Long-term liabilities:</td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>1,874,654</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>92,182</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>622,411</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>—</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>152,421</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>6,533,695</td>
</tr>
<tr>
<td>Stockholders’ equity:</td>
<td></td>
</tr>
<tr>
<td>Preferred stock, $0.0001 par value; 2,000 shares authorized</td>
<td>—</td>
</tr>
<tr>
<td>Common stock, $0.0001 par value</td>
<td>61</td>
</tr>
<tr>
<td>Additional paid-in-capital</td>
<td>5,549,322</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>11,137,357</td>
</tr>
<tr>
<td>Accumulated other comprehensive income (loss)</td>
<td>(128,048)</td>
</tr>
<tr>
<td>Treasury stock, at cost (111,827 and 109,572, respectively), net of reissuances</td>
<td>(7,696,767)</td>
</tr>
<tr>
<td>Total stockholders’ equity</td>
<td>8,861,925</td>
</tr>
<tr>
<td>Total liabilities and stockholders’ equity</td>
<td>$15,395,620</td>
</tr>
</tbody>
</table>
## Condensed Consolidated Statements of Cash Flows
(In thousands; unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>August 31, 2018</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$666,291</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation, amortization and accretion</td>
<td>86,890</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>159,039</td>
</tr>
<tr>
<td>Unrealized investment (gains) losses, net</td>
<td>(1,613)</td>
</tr>
<tr>
<td>Changes in deferred revenue</td>
<td>33,525</td>
</tr>
<tr>
<td>Changes in other operating assets and liabilities</td>
<td>11,172</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$955,304</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Purchases, sales and maturities of short-term investments, net</td>
<td>163,229</td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(63,558)</td>
</tr>
<tr>
<td>Purchases and sales of long-term investments, intangibles and other assets, net</td>
<td>(1,578)</td>
</tr>
<tr>
<td>Acquisitions, net of cash</td>
<td>(1,618,427)</td>
</tr>
<tr>
<td>Net cash used for investing activities</td>
<td>(1,520,334)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Purchases of treasury stock</td>
<td>(750,000)</td>
</tr>
<tr>
<td>Proceeds from treasury stock reissuances, net of taxes paid related to net share settlement of equity awards</td>
<td>78,656</td>
</tr>
<tr>
<td>Repayment of capital lease obligations</td>
<td>(317)</td>
</tr>
<tr>
<td>Net cash used for financing activities</td>
<td>(671,661)</td>
</tr>
<tr>
<td><strong>Effect of exchange rate changes on cash and cash equivalents</strong></td>
<td>(4,151)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>(1,240,842)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>2,987,986</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>$1,747,144</td>
</tr>
</tbody>
</table>
Non-GAAP Results
(In thousands, except per share data)

The following tables show Adobe’s GAAP results reconciled to non-GAAP results included in this release.

<table>
<thead>
<tr>
<th></th>
<th>August 31, 2018</th>
<th>September 1, 2017</th>
<th>June 1, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating income:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GAAP operating income</td>
<td>$718,606</td>
<td>$545,674</td>
<td>$698,484</td>
</tr>
<tr>
<td>Stock-based and deferred compensation expense</td>
<td>$161,094</td>
<td>$117,968</td>
<td>$146,773</td>
</tr>
<tr>
<td>Amortization of purchased intangibles</td>
<td>$44,815</td>
<td>$36,655</td>
<td>$32,378</td>
</tr>
<tr>
<td>Non-GAAP operating income</td>
<td>$924,515</td>
<td>$700,297</td>
<td>$877,635</td>
</tr>
<tr>
<td><strong>Net income:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GAAP net income</td>
<td>$666,291</td>
<td>$419,569</td>
<td>$663,167</td>
</tr>
<tr>
<td>Stock-based and deferred compensation expense</td>
<td>$161,094</td>
<td>$117,968</td>
<td>$146,773</td>
</tr>
<tr>
<td>Amortization of purchased intangibles</td>
<td>$44,815</td>
<td>$36,655</td>
<td>$32,378</td>
</tr>
<tr>
<td>Investment (gains) losses, net</td>
<td>$(2,251)</td>
<td>$(975)</td>
<td>$(1,079)</td>
</tr>
<tr>
<td>Income tax adjustments</td>
<td>$(10,185)</td>
<td>$(24,146)</td>
<td>$(15,812)</td>
</tr>
<tr>
<td>Non-GAAP net income</td>
<td>$859,764</td>
<td>$549,071</td>
<td>$825,427</td>
</tr>
</tbody>
</table>

**Diluted net income per share:**

<table>
<thead>
<tr>
<th></th>
<th>August 31, 2018</th>
<th>September 1, 2017</th>
<th>June 1, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP diluted net income per share</td>
<td>$1.34</td>
<td>$0.84</td>
<td>$1.33</td>
</tr>
<tr>
<td>Stock-based and deferred compensation expense</td>
<td>$0.32</td>
<td>$0.24</td>
<td>$0.29</td>
</tr>
<tr>
<td>Amortization of purchased intangibles</td>
<td>$0.09</td>
<td>$0.07</td>
<td>$0.06</td>
</tr>
<tr>
<td>Income tax adjustments</td>
<td>$(0.02)</td>
<td>$(0.05)</td>
<td>$(0.02)</td>
</tr>
<tr>
<td>Non-GAAP diluted net income per share</td>
<td>$1.73</td>
<td>$1.10</td>
<td>$1.66</td>
</tr>
</tbody>
</table>

Shares used in computing diluted net income per share ................. 496,866  500,398  498,252

**Use of Non-GAAP Financial Information**

Adobe continues to provide all information required in accordance with GAAP, but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Adobe uses non-GAAP financial information to evaluate its ongoing operations and for internal planning and forecasting purposes. Adobe’s management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Adobe presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Adobe’s operating results. Adobe believes these non-GAAP financial measures are useful because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. This allows institutional investors, the analyst community and others to better understand and evaluate our operating results and future prospects in the same manner as management.

Adobe’s management believes it is useful for itself and investors to review, as applicable, both GAAP information as well as non-GAAP measures, which may exclude items such as stock-based and deferred compensation expenses, restructuring and other charges, amortization of purchased intangibles and certain activity in connection with technology license arrangements, investment gains and losses, the related tax impact of all of these items, income tax adjustments, and the income tax effect of the non-GAAP pre-tax adjustments from the provision for income taxes. Adobe uses these non-GAAP measures in order to assess the performance...
of Adobe's business and for planning and forecasting in subsequent periods. Whenever such a non-GAAP measure is used, Adobe provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure as detailed above.
MIKE SAVIAGE

Good afternoon and thank you for joining us today. Joining me on the call are Adobe’s President and CEO, Shantanu Narayen; and John Murphy, Executive Vice President and CFO.

In our call today, we will discuss Adobe's third quarter fiscal year 2018 financial results. By now, you should have a copy of our earnings press release which crossed the wire approximately one hour ago. We've also posted PDFs of our earnings call prepared remarks and slides, financial targets and an updated investor datasheet on Adobe.com. If you would like a copy of these documents, you can go to Adobe's Investor Relations page and find them listed under Quick Links.
Before we get started, we want to emphasize that some of the information discussed in this call, particularly our revenue and operating model targets, and our forward-looking product plans, is based on information as of today, September 13th, 2018, and contains forward-looking statements that involve risk and uncertainty. Actual results may differ materially from those set forth in such statements. For a discussion of these risks and uncertainties, you should review the Forward-Looking Statements Disclosure in the earnings press release we issued today, as well as Adobe's SEC filings.

During this call, we will discuss GAAP and non-GAAP financial measures. A reconciliation between the two is available in our earnings release and in our updated investor datasheet on Adobe's Investor Relations website.

Call participants are advised that the audio of this conference call is being webcast live in Adobe Connect, and is also being recorded for playback purposes. An archive of the webcast will be made available on Adobe's Investor Relations website for approximately 45 days, and is the property of Adobe. The call audio and the webcast archive may not be re-recorded, or otherwise reproduced or distributed without prior written permission from Adobe.

I will now turn the call over to Shantanu.
Thanks, Mike and good afternoon.

Q3 was a record quarter for Adobe. We delivered $2.29 billion in revenue, representing 24% year-over-year growth. GAAP earnings per share for the quarter was $1.34, and non-GAAP earnings per share was $1.73.

Adobe is empowering people to create and transforming how businesses compete. Our execution against this strategy is driving strong financial results across our Digital Media and Digital Experience businesses.

In every market around the world, students, creatives, enterprises and governments are choosing Adobe Creative Cloud, Document Cloud and Experience Cloud to deliver the transformative digital experiences required to compete and win today.
In our Digital Media business, we achieved strong growth in both Creative Cloud and Document Cloud revenue in Q3. Net new Digital Media Annualized Recurring Revenue or “ARR” was $339 million, and total Digital Media ARR exiting Q3 grew to $6.40 billion. Key Digital Media customer engagements in the quarter included The US Department of Education, Facebook, Marks & Spencer and Walmart.

Creative Cloud has become the ‘creativity platform for all,’ with millions of highly engaged subscribers and a strong base of trialists whom we actively convert each month into paying customers. Whether it’s YouTubers looking for an intuitive video solution or mobile-first photography enthusiasts, we continue to see significant opportunities for growth in new customer segments as well as untapped potential in emerging markets.

Video continues to be an explosive category. In June we previewed Project Rush, a new video editing app that makes creating and sharing online video content easier than ever. Whether your passion is vlogging about food or posting a cool skateboarding clip, Project Rush gives users a way to create video projects across surfaces – providing them with maximum creative flexibility.

This week at IBC, we shared a slate of new video creation capabilities that will speed up video production and enable more seamless workflows for professional editors and animators. This includes Adobe Sensei-powered features for audio editing, color grading, and animation in Premiere Pro, Audition, Character Animator and other video tools.
Lightroom CC, our cloud-based photography service, continues to attract new customers. We announced a number of updates to Lightroom CC and Lightroom Classic for Mac, Windows, Android and iOS and shipped several improvements including new in-app learning capabilities, support for new cameras and more than 1200 different lenses. We previewed a brand-new feature, Best Photos, which combines Adobe Sensei intelligence with user-made edits to quickly recommend the best photos within an album.

Adobe XD, our all-in-one UX solution for designing and prototyping websites and apps, is quickly becoming the leader in the screen design category, with strong monthly active usage among customers. This quarter we unveiled new open platform capabilities which allow users to customize their workflow with a broader ecosystem of community and partner plug-ins.

As students around the world head back to school, Adobe is partnering with educators and institutions to ensure that creativity, a core 21st century skill, is a central part of curriculum and that students have access to the creative tools they need. Adobe Spark – our app for easily creating high-quality graphics, web pages, and video stories – is a cornerstone of this effort. This quarter we were proud to partner with the Ministry of Skill Development in India to enable more than a million students to access Spark.

Next month we'll host MAX, the world's largest Creativity Conference. We'll unveil new capabilities across Creative Cloud that will enable our customers to push the boundaries of creativity across modalities, like voice and touch, and emerging media types including 3D and augmented reality.
Adobe Document Cloud is the world's leading digital document service, enabling individuals and businesses to automate inefficient paper-based processes. In Q3 we achieved record revenue for Document Cloud of $249 million.

PDF creation, sharing, reviewing, scanning and signing is accelerating across devices and Adobe's document business is experiencing strong growth. Over 50 billion PDFs were opened in Adobe products in the last year. In a few weeks we'll announce major advancements to Adobe Document Cloud, including an update to our flagship Acrobat DC solution, which will radically transform what's possible with PDF on mobile devices.

In August, we teamed up with Samsung for the launch of the new Galaxy Note9 and its intelligent assistant, Bixby. With the introduction of Adobe Scan for Bixby Vision, we're providing PDF scanning capabilities to Samsung users through Adobe Sensei and Adobe Document Cloud. Adobe Scan has become one of the most popular mobile scanning apps, with nearly 14 million downloads to date.

Adobe Sign continues to revolutionize the electronic signature market and has become the solution of choice for customers, particularly in highly regulated industries such as government, healthcare and financial services. This year Adobe Sign received FedRAMP Tailored authorization, meeting the U.S. government's rigorous security standards. As part of our collaboration with the Cloud Signature Consortium, which is furthering an open standard for cloud signatures, we support key industry standards and guidelines such as HIPAA and the eSign Act. Overall, we continue to drive strong growth in the Adobe Sign business.
Adobe Experience Cloud is the leading customer experience platform for the modern enterprise – helping companies deliver predictive, personalized, real-time digital experiences across every touch point. Our unique differentiation stems from the breadth and depth of our offerings, and the unparalleled intelligence we derive from the trillions of transactions we process on behalf of our customers.

In Q3 we achieved Experience Cloud revenue of $614 million with strong bookings across Adobe Marketing Cloud, Analytics Cloud and Advertising Cloud. Key customer deals in the quarter included NBA Properties, Commonwealth Bank of Australia, The Federal Aviation Administration, CBS Interactive and Navy Federal Credit Union.

In June, we completed our acquisition of Magento, bringing its industry-leading commerce capabilities to Adobe Experience Cloud for B2B and B2C customers. We delivered the first integrated deployment of Adobe Experience Manager and Magento Commerce Cloud this quarter. Expanding Magento's reach in the global enterprise space continues to be an area of opportunity for Adobe, as is expanding other Experience Cloud solutions deeper into mid-sized businesses where Magento has a strong market position. Next month we'll host over 2,000 customers at MagentoLive in Barcelona, where we'll share more details about how we're integrating Experience Cloud with the Magento Commerce Cloud.
Adobe Advertising Cloud enables marketers to deliver search, display, video and TV advertising across a growing number of screens and formats. We recently announced new capabilities for TV ads in partnership with LiveRamp, as well as new fraud protection features and support for emerging formats including digital audio ads on smart speakers and home devices. Our leading offering in data-driven TV advertising continues to see strong interest from brands and agencies as we bring more refined targeting options to linear and addressable TV.

We continue to deliver new innovation across our entire set of Experience Cloud solutions, including new email and cross-channel marketing capabilities in Adobe Campaign, and ‘Attribution IQ’ inside of Adobe Analytics Cloud.

Growth in our Digital Experience business is enhanced by a strong network of global partners. Our strategic partnership with Microsoft continues to gain traction among enterprise customers as we bring more joint solutions to market. More than one hundred enterprises now leverage Adobe and Microsoft's joint digital experience offerings, including Bank of America Merchant Services, Cintas, CDW and Virgin America Airlines.

In Q3, Adobe was once again recognized for our technology leadership by top industry analysts. Adobe was named the only leader in the Forrester Wave: Experience Optimization Platforms and we were named a leader in the Gartner Magic Quadrant for Web Content Management for the 8th year in a row. Additional leadership recognition included the Forrester Wave: Customer Analytics Solutions and the Gartner Magic Quadrant for Personalization Engines.
Adobe's employees have always been our greatest asset. We pride ourselves on recruiting and retaining world-class talent and making Adobe a place where our employees can do their best work. Last week Forbes ranked Adobe as the #1 ‘Best Employer for New College Graduates’ and we were recognized by Fortune as one of its ‘Best Workplaces for Millennials’. The Great Places to Work Institute recently included both Adobe India and Adobe Australia on its ‘Best Workplaces’ lists.

As we look to Q4, we are excited about the opportunities ahead. We expect a strong close to Adobe's 2018 fiscal year and are confident that we have the right strategy, products, people, customers and partners to sustain our growth and momentum.

John.
Thanks, Shantanu.

In the third quarter of FY18, Adobe achieved record revenue of $2.29 billion, which represents 24% year-over-year growth. GAAP diluted earnings per share in Q3 was $1.34 and non-GAAP diluted earnings per share was $1.73. We delivered another quarter of strong performance across product offerings and geographies, while also successfully integrating Magento.

Highlights in Q3 included:

- Record Digital Media revenue, including Creative revenue of $1.36 billion and Adobe Document Cloud revenue of $249 million;
- Record Digital Experience revenue of $614 million, which represents 21% year-over-year growth;
- Net new Digital Media ARR of $339 million;
- Deferred revenue growth of 23% year-over-year;
• Cash flow from operations of $955 million;

• Returning $714 million of cash to our stockholders through stock buyback;

• And approximately 90% of our revenue in Q3 was from recurring sources.

In Digital Media, we grew segment revenue by 27% year-over-year. The addition of $339 million net new Digital Media ARR during the quarter grew the total to $6.40 billion exiting Q3.

Within Digital Media, we achieved another record quarter with our Creative business. Creative revenue grew 28% year-over-year in Q3 and we increased Creative ARR by $289 million. Several key factors contributed to this growth, including:

• Strong net new subscriptions across user segments, and across the U.S., Europe, Japan and Asia-Pacific, driven by robust traffic and customer acquisition on Adobe.com;

• Strength in new individual app subscriptions with the Photography Plan and Acrobat;

• Continued momentum with Creative Cloud adoption in emerging markets;

• Retention of users migrating from promotional to standard prices at annual cycles;

• New pricing introduced in North America;

• Seat expansion and adoption of services in the enterprise; and

• Strength with Adobe Stock, which achieved greater than 30% year-over-year revenue growth during the quarter.
We transitioned our Adobe.com sites in Europe to comply with new GDPR requirements, and we are successfully engaging with potential and existing customers – allowing us to continue to drive growth in revenue and ARR.

Retention, upsell, new customer acquisition and conversion remain huge opportunities which we address through digital marketing campaigns, frequent targeted promotions and the introduction of new offerings across desktop and mobile.

With Document Cloud, we achieved record revenue of $249 million, which represents 21% year-over-year growth, and we delivered another solid quarter of Document Cloud ARR growth. Acrobat unit growth across Creative Cloud and Document Cloud was again greater than 20%. Adobe Sign achieved greater than 25% year-over-year revenue growth.
In our Digital Experience segment, we achieved record Adobe Experience Cloud revenue of $614 million, which represents 21% year-over-year growth. Experience Cloud subscription revenue grew 25% year-over-year. Experience Cloud performance in Q3 was driven by success across our Analytics Cloud, Marketing Cloud and Advertising Cloud offerings – with particular strength in Audience Manager, which is our data management platform; and in Adobe Campaign.

Magento is off to a strong start and contributed subscription and services revenue of $27 million in Q3. Strength in demand, a longer-than-anticipated stub period in Q3, and a smaller-than-anticipated write-down of deferred revenue contributed to this success.

From a quarter-over-quarter currency perspective, FX decreased revenue by $13.8 million. We had $16.8M million in hedge gains in Q3 FY18, versus $0.3 million in hedge gains in Q2 FY18; thus the net sequential quarterly increase to revenue considering hedging gains was $2.7 million.

From a year-over-year currency perspective, FX increased revenue by $27.7 million. We had $16.8M million in hedge gains in Q3 FY18, versus $0.2 million in hedge gains in Q3 FY17; thus the net year-over-year currency increase to revenue considering hedging gains was $44.3 million.
In Q3, Adobe’s effective tax rate was 5% on both a GAAP and a non-GAAP basis. The GAAP rate was lower-than-targeted due to larger-than-expected tax effects related to share-based payments as well as a favorable resolution of an income tax matter.

Our trade DSO was 41 days, which compares to 50 days in the year-ago quarter, and 44 days last quarter. Deferred revenue grew to a record $2.71 billion, up 23% year-over-year. With strong bookings, deferred revenue was in-line with our expectations. Given Q3 FY18 ended on August 31st, deferred revenue was impacted by having one less billing cycle for many enterprise customers when compared to Q2 FY18 and Q3 FY17.

Our ending cash and short-term investment position exiting Q3 was $4.94 billion. The quarter-over-quarter decline in our cash position was due to the Magento acquisition.

Cash flow from operations was $955 million in the quarter.

In Q3, we repurchased approximately 2.9 million shares at a cost of $714 million. We currently have $150 million remaining of our $2.5 billion authority granted in January 2017. We expect this authorization to be exhausted by the end of fiscal year 2018. On May 21st we announced that our Board has authorized an incremental $8 billion stock repurchase program through fiscal year 2021, which will be funded from future cash flow generation.
Now I will provide our financial outlook.

In Q4 FY18, we expect normal seasonal year-end strength in our business and are targeting:

- Revenue of approximately 2 billion 420 million dollars;
- Digital Media segment year-over-year revenue growth of approximately 22%;
- Digital Experience segment year-over-year revenue growth of approximately 20%;
- Tax rate of approximately 6% on a GAAP basis, and 5% on a non-GAAP basis;
- Share count of approximately 495 million shares;
- GAAP earnings per share of approximately $1.42;
- Non-GAAP earnings per share of approximately $1.87; and
- Net new Digital Media ARR of approximately $385 million.

Our Q4 FY17 Digital Media segment included a material amount of Acrobat perpetual licensing revenue. As we continue to migrate the business to subscriptions, we do not expect material Acrobat perpetual licensing this Q4. This is factored into our Digital Media year-over-year revenue growth target.

Given the lower-than-expected write-down of Magento deferred revenue that we discussed earlier, we expect some slight upside to our original target of $30 million of Magento revenue in Q4.

We look forward to a strong Q4 close and another record year for Adobe.

I'll now turn the call back over to Mike.
MIKE SAVIAGE

Thanks, John.

Adobe MAX returns to Los Angeles and is quickly approaching. Day One of our user conference is Monday October 15th, and we will host a financial analyst meeting that afternoon. At the meeting, our executive team will discuss Adobe’s vision, strategy and opportunities to continue to drive sustained revenue growth. Invitations to MAX and our financial analyst meeting with registration information were sent out in early July. If you wish to attend MAX and our financial analyst meeting, please send an email to ir@adobe.com. More details about MAX and our exciting lineup of speakers and educational sessions are available at max.adobe.com.

If you wish to listen to a playback of today’s conference call, a web-based archive of the call will be available on our IR site later today. Alternatively, you can listen to a phone replay by calling 855-859-2056; use conference ID #1136856. International callers should dial 404-537-3406. The phone playback service will be available beginning at 5pm Pacific Time today, and ending at 8pm Pacific Time on September 19, 2018.

We would now be happy to take your questions, and we ask that you limit your questions to one per person. Operator.
## Adobe Systems Investor Relations Data Sheet

**Last Updated:** September 13, 2018

Adobe provides this information as of the modification date above and makes no commitment to update the information subsequently.

For a full explanation of this data, you are encouraged to review Adobe’s Form 10-K and 10-Q SEC filings.

### Total Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1’16</th>
<th>Q2’16</th>
<th>Q3’16</th>
<th>Q4’16</th>
<th>FY2016</th>
<th>Q1’17</th>
<th>Q2’17</th>
<th>Q3’17</th>
<th>Q4’17</th>
<th>FY2017</th>
<th>Q1’18</th>
<th>Q2’18</th>
<th>Q3’18</th>
<th>FY2018 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>1,383.3</td>
<td>1,398.7</td>
<td>1,494.6</td>
<td>1,604.5</td>
<td>5,854.6</td>
<td>1,681.6</td>
<td>1,772.2</td>
<td>1,841.1</td>
<td>2,006.6</td>
<td>7,301.5</td>
<td>2,076.9</td>
<td>2,195.4</td>
<td>2,201.1</td>
<td>6,958.4</td>
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</table>

### Revenue by Segment ($Millions)

**Digital Media**

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1’16</th>
<th>Q2’16</th>
<th>Q3’16</th>
<th>Q4’16</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Experience</td>
<td>377.5</td>
<td>385.4</td>
<td>404.5</td>
<td>464.7</td>
<td>1,631.4</td>
</tr>
<tr>
<td>Publishing</td>
<td>74.3</td>
<td>70.2</td>
<td>70.0</td>
<td>67.5</td>
<td>282.0</td>
</tr>
</tbody>
</table>

**Cost of Revenue (as % of total revenue)**

- Digital Media: 68% 67% 67% 67% 66% 69% 69% 69% 69% 69% 69% 70% 70% 70%
- Digital Experience: 27% 28% 27% 28% 28% 28% 28% 28% 27% 27% 27% 27% 27% 27%
- Publishing: 5% 5% 5% 4% 5% 4% 4% 4% 3% 3% 3% 3% 3% 3% 3%

**Supplementary Segment Data**

**Digital Experience**

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<thead>
<tr>
<th>Description</th>
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<th>Q3’16</th>
<th>Q4’16</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document Cloud ARR</td>
<td>3,128</td>
<td>3,515</td>
<td>3,593</td>
<td>3,997</td>
<td>14,154</td>
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<tr>
<td>Creative ARR</td>
<td>3,759</td>
<td>4,252</td>
<td>4,564</td>
<td>4,872</td>
<td>19,560</td>
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</table>

**Digital Media ARR**

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1’16</th>
<th>Q2’16</th>
<th>Q3’16</th>
<th>Q4’16</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document Cloud ARR</td>
<td>198.8</td>
<td>188.2</td>
<td>187.3</td>
<td>190.8</td>
<td>837.7</td>
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<tr>
<td>Document Cloud ARR (as % of total revenue)</td>
<td>7.6%</td>
<td>7.5%</td>
<td>6.7%</td>
<td>7.1%</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

**Document Cloud ARR (as % of total revenue)**

- Q1’16: 75.0%
- Q2’16: 407.7%
- Q3’16: 549.7%
- Q4’16: 556.0%

**Cost of Revenue (as % of total revenue)**

- Digital Experience: 27% 28% 28% 28% 28% 28% 28% 28% 28% 28% 28% 28% 28% 28%
- Publishing: 5% 5% 5% 4% 4% 4% 4% 4% 3% 3% 3% 3% 3% 3% 3%

**Digital Experience**

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1’16</th>
<th>Q2’16</th>
<th>Q3’16</th>
<th>Q4’16</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document Cloud ARR</td>
<td>32.8</td>
<td>30.2</td>
<td>30.6</td>
<td>30.9</td>
<td>124.5</td>
</tr>
<tr>
<td>Creative ARR</td>
<td>33.6</td>
<td>33.0</td>
<td>32.8</td>
<td>32.2</td>
<td>124.5</td>
</tr>
</tbody>
</table>

**Cost of Revenue (as % of total revenue)**

- Digital Experience: 27% 28% 28% 28% 28% 28% 28% 28% 28% 28% 28% 28% 28% 28%
- Publishing: 5% 5% 5% 4% 4% 4% 4% 4% 3% 3% 3% 3% 3% 3% 3%

**Digital Media**

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<th>Q2’16</th>
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<th>Q4’16</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Document Cloud ARR</td>
<td>273.2</td>
<td>275.4</td>
<td>282.7</td>
<td>289.5</td>
<td>1,076.2</td>
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<tr>
<td>Creative ARR</td>
<td>2,735.2</td>
<td>2,988.2</td>
<td>3,225.6</td>
<td>3,553.0</td>
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**Digital Media ARR**

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1’16</th>
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<th>Q4’16</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document Cloud ARR</td>
<td>931.7</td>
<td>943.1</td>
<td>990.0</td>
<td>1,076.2</td>
<td>3,941.0</td>
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<tr>
<td>Creative ARR</td>
<td>3,759.1</td>
<td>4,252.4</td>
<td>4,564.7</td>
<td>4,872.0</td>
<td>19,560.4</td>
</tr>
</tbody>
</table>

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- Publishing: 5% 5% 5% 4% 4% 4% 4% 4% 3% 3% 3% 3% 3% 3% 3%

**Financial Data**

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1’16</th>
<th>Q2’16</th>
<th>Q3’16</th>
<th>Q4’16</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
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<td>1,494.6</td>
<td>1,604.5</td>
<td>5,854.6</td>
</tr>
<tr>
<td>Cost of Revenue</td>
<td>743.3</td>
<td>702.0</td>
<td>700.5</td>
<td>672.5</td>
<td>282.0</td>
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<tr>
<td>Gross Margin</td>
<td>64% 64% 64% 64% 64% 64% 64% 64% 64% 64% 64% 64% 64% 64%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</table>

**Revenue by Geography (as % of total revenue)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Americas</th>
<th>EMEA</th>
<th>Asia</th>
<th>Americas</th>
<th>EMEA</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Media</td>
<td>54.6%</td>
<td>58.2%</td>
<td>56.6%</td>
<td>58.9%</td>
<td>56.4%</td>
<td>58.5%</td>
</tr>
<tr>
<td>Creative ARR</td>
<td>134.6%</td>
<td>64.2%</td>
<td>107.0%</td>
<td>57.7%</td>
<td>51.0%</td>
<td>52.5%</td>
</tr>
</tbody>
</table>

**Cost of Revenue (as % of total revenue)**

- Americas: 58% 59% 58% 57% 56% 56% 56% 55% 55% 55% 55% 55% 55% 55%
- EMEA: 28% 27% 27% 28% 28% 27% 27% 27% 27% 28% 28% 28% 28% 28%
- Asia: 14% 14% 15% 15% 14% 15% 15% 15% 15% 15% 15% 15% 15% 15%

**Stock-Based and Deferred Compensation Expenses ($Millions)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1’16</th>
<th>Q2’16</th>
<th>Q3’16</th>
<th>Q4’16</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Costs</td>
<td>5.5</td>
<td>5.3</td>
<td>5.0</td>
<td>5.3</td>
<td>21.1</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>32.6</td>
<td>30.2</td>
<td>30.6</td>
<td>32.2</td>
<td>124.5</td>
</tr>
<tr>
<td>Sales &amp; Marketing</td>
<td>33.6</td>
<td>33.0</td>
<td>32.2</td>
<td>32.2</td>
<td>131.0</td>
</tr>
<tr>
<td>General &amp; Administrative</td>
<td>19.8</td>
<td>18.7</td>
<td>18.3</td>
<td>18.3</td>
<td>75.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1’16</th>
<th>Q2’16</th>
<th>Q3’16</th>
<th>Q4’16</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>51.7</td>
<td>57.2</td>
<td>57.6</td>
<td>66.5</td>
<td>250.3</td>
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<tr>
<td>Other Data</td>
<td>14,154</td>
<td>14,844</td>
<td>15,381</td>
<td>15,706</td>
<td>63,732</td>
</tr>
<tr>
<td>Worldwide Employees</td>
<td>14,154</td>
<td>14,844</td>
<td>15,381</td>
<td>15,706</td>
<td>63,732</td>
</tr>
</tbody>
</table>

Adobe Systems Investor Relations Data Sheet
**Adobe Systems Investor Relations Data Sheet**

**Income Statement - Reconciliation of GAAP to Non-GAAP**

_Last Updated: September 13, 2018_

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1`18</th>
<th>Q2`18</th>
<th>Q3`18</th>
<th>Q4`18</th>
<th>FY2017</th>
<th>Q1`17</th>
<th>Q2`17</th>
<th>Q3`17</th>
<th>Q4`17</th>
<th>FY2017</th>
<th>Q1`16</th>
<th>Q2`16</th>
<th>Q3`16</th>
<th>Q4`16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,383.3</td>
<td>1,397.8</td>
<td>1,464.9</td>
<td>1,608.4</td>
<td>5,854.8</td>
<td>1,681.4</td>
<td>1,772.2</td>
<td>1,841.2</td>
<td>2,006.6</td>
<td>7,301.6</td>
<td>2,078.3</td>
<td>2,195.4</td>
<td>2,291.1</td>
<td>5,656.4</td>
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<tr>
<td>Cost of revenue</td>
<td>175.2</td>
<td>183.2</td>
<td>184.3</td>
<td>198.6</td>
<td>741.2</td>
<td>213.7</td>
<td>234.0</td>
<td>237.8</td>
<td>245.9</td>
<td>910.4</td>
<td>234.5</td>
<td>256.5</td>
<td>264.4</td>
<td>755.6</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,208.1</td>
<td>1,215.5</td>
<td>1,277.9</td>
<td>1,409.8</td>
<td>5,133.2</td>
<td>1,486.7</td>
<td>1,538.4</td>
<td>1,567.8</td>
<td>1,645.2</td>
<td>6,844.3</td>
<td>1,834.3</td>
<td>1,838.9</td>
<td>1,906.7</td>
<td>2,950.8</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>727.8</td>
<td>752.0</td>
<td>786.5</td>
<td>820.1</td>
<td>3,133.5</td>
<td>859.9</td>
<td>906.9</td>
<td>919.7</td>
<td>1,000.6</td>
<td>3,967.7</td>
<td>973.1</td>
<td>1,062.1</td>
<td>1,102.6</td>
<td>3,136.9</td>
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<tr>
<td>Operating income</td>
<td>453.5</td>
<td>463.5</td>
<td>491.1</td>
<td>587.9</td>
<td>1,977.8</td>
<td>608.0</td>
<td>651.1</td>
<td>660.2</td>
<td>745.0</td>
<td>2,977.4</td>
<td>907.6</td>
<td>874.7</td>
<td>898.7</td>
<td>4,947.5</td>
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<tr>
<td>Non-operating income (expense)</td>
<td>421.0</td>
<td>425.2</td>
<td>476.6</td>
<td>572.8</td>
<td>1,922.8</td>
<td>597.1</td>
<td>645.9</td>
<td>695.0</td>
<td>797.4</td>
<td>2,735.4</td>
<td>867.8</td>
<td>869.0</td>
<td>905.0</td>
<td>2,641.5</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>88.4</td>
<td>95.0</td>
<td>100.0</td>
<td>120.0</td>
<td>403.7</td>
<td>125.4</td>
<td>136.0</td>
<td>146.0</td>
<td>167.4</td>
<td>574.5</td>
<td>95.4</td>
<td>43.4</td>
<td>45.3</td>
<td>181.4</td>
</tr>
<tr>
<td>Net income</td>
<td>332.6</td>
<td>357.4</td>
<td>376.5</td>
<td>452.6</td>
<td>1,519.1</td>
<td>471.7</td>
<td>510.3</td>
<td>548.1</td>
<td>629.9</td>
<td>2,161.0</td>
<td>772.2</td>
<td>825.4</td>
<td>858.8</td>
<td>2,457.4</td>
</tr>
</tbody>
</table>

**Adjusted to Reconcile to Non-GAAP (diluted)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1`18</th>
<th>Q2`18</th>
<th>Q3`18</th>
<th>Q4`18</th>
<th>FY2017</th>
<th>Q1`17</th>
<th>Q2`17</th>
<th>Q3`17</th>
<th>Q4`17</th>
<th>FY2017</th>
<th>Q1`16</th>
<th>Q2`16</th>
<th>Q3`16</th>
<th>Q4`16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconcile to non-GAAP (diluted)</td>
<td>$0.50</td>
<td>$0.48</td>
<td>$0.54</td>
<td>$0.80</td>
<td>$3.20</td>
<td>$0.70</td>
<td>$0.84</td>
<td>$1.00</td>
<td>$3.38</td>
<td>$1.17</td>
<td>$1.03</td>
<td>$1.34</td>
<td>$3.84</td>
<td></td>
</tr>
</tbody>
</table>

**Shares**

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1`18</th>
<th>Q2`18</th>
<th>Q3`18</th>
<th>Q4`18</th>
<th>FY2017</th>
<th>Q1`17</th>
<th>Q2`17</th>
<th>Q3`17</th>
<th>Q4`17</th>
<th>FY2017</th>
<th>Q1`16</th>
<th>Q2`16</th>
<th>Q3`16</th>
<th>Q4`16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted earnings per share</td>
<td>$0.68</td>
<td>$0.71</td>
<td>$0.75</td>
<td>$0.91</td>
<td>$3.01</td>
<td>$0.94</td>
<td>$1.02</td>
<td>$1.10</td>
<td>$1.26</td>
<td>$4.31</td>
<td>$1.55</td>
<td>$1.69</td>
<td>$1.73</td>
<td>$4.93</td>
</tr>
</tbody>
</table>

The above results are supplied to provide meaningful supplemental information regarding Adobe’s core operating results because such information excludes amounts that are not necessarily related to its core operating results. Adobe uses this non-GAAP financial information in assessing the performance of the Company’s ongoing operations, and for planning and forecasting in future periods. This non-GAAP information should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.
## FY2018 Business Segment Classifications

<table>
<thead>
<tr>
<th>Category</th>
<th>Creative Cloud</th>
<th>Creative Cloud Desktop Apps</th>
<th>Creative Cloud Mobile Apps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative Cloud</td>
<td>Creative Cloud for individuals</td>
<td>Acrobat Pro DC</td>
<td>Behance</td>
</tr>
<tr>
<td></td>
<td>Creative Cloud for students and teachers</td>
<td>After Effects</td>
<td>Capture</td>
</tr>
<tr>
<td></td>
<td>Creative Cloud for teams</td>
<td>Animate</td>
<td>Comp</td>
</tr>
<tr>
<td></td>
<td>Creative Cloud for enterprises</td>
<td>Audition</td>
<td>XD (Experience Design)</td>
</tr>
<tr>
<td></td>
<td>Creative Cloud for education</td>
<td>Bridge</td>
<td>Illustrator Draw</td>
</tr>
<tr>
<td></td>
<td>Creative Cloud Photography plan</td>
<td>Character Animator</td>
<td>Photo Editor by Aviary</td>
</tr>
<tr>
<td></td>
<td>Dimension</td>
<td>Photoshop Express</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>Dreamweaver</td>
<td>Photoshop Fix</td>
<td></td>
</tr>
<tr>
<td></td>
<td>AIR/Flash Player</td>
<td>XD (Experience Design)</td>
<td>Photoshop Lightroom for mobile</td>
</tr>
<tr>
<td></td>
<td>Avairy</td>
<td>Fireworks CS6</td>
<td>Photoshop Mix</td>
</tr>
<tr>
<td></td>
<td>Behance</td>
<td>Fuse (Beta)</td>
<td>Photoshop Sketch</td>
</tr>
<tr>
<td></td>
<td>Creative SDK</td>
<td>Illustrator</td>
<td>Portfolio</td>
</tr>
<tr>
<td></td>
<td>Digital Publishing Suite</td>
<td>InCopy</td>
<td>Prelude Live Logger</td>
</tr>
<tr>
<td></td>
<td>ExtendScript Toolkit</td>
<td>InDesign</td>
<td>Premiere Clip</td>
</tr>
<tr>
<td></td>
<td>Extension Manager</td>
<td>Ink &amp; Slide</td>
<td>Preview</td>
</tr>
<tr>
<td></td>
<td>Flash Builder</td>
<td>Media Encoder</td>
<td>Scout</td>
</tr>
<tr>
<td></td>
<td>Gaming SDK</td>
<td>Muse</td>
<td>Spark Page</td>
</tr>
<tr>
<td></td>
<td>PhoneGap Build</td>
<td>Photoshop</td>
<td>Spark Post</td>
</tr>
<tr>
<td></td>
<td>Portfolio</td>
<td>Photoshop Lightroom</td>
<td>Spark Video</td>
</tr>
<tr>
<td></td>
<td>Stock</td>
<td>Prelude</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Story PLs</td>
<td>Premiere Pro</td>
<td>Consumer Products</td>
</tr>
<tr>
<td></td>
<td>Talent</td>
<td>Scout</td>
<td>Photoshop Elements</td>
</tr>
<tr>
<td></td>
<td>Typekit</td>
<td>Story</td>
<td>Premiere Elements</td>
</tr>
</tbody>
</table>

### Adobe Document Cloud
- Acrobat Pro DC: Document Cloud Export/PDF, Scan
- Acrobat Standard DC: Document Cloud Send, Sign
- Reader DC: PDF Pack

### Adobe Experience Cloud

#### Adobe Advertising Cloud
- Adobe Media Optimizer
  - Media Optimizer Search: Standard
  - Media Optimizer DCO: Premium
  - Media Optimizer DSP (TubeMogul): Video, Mobile Apps

#### Adobe Analytics Cloud
- Adobe Analytics
  - Standard
- Premium
- Video
- Mobile Apps

#### Adobe Audience Manager
- Audience Manager
- Mobile Apps

#### Adobe Marketing Cloud
- Adobe Campaign
  - Campaign
  - TV SDKs (Player, DRM, Packaging)
- Adobe Experience Manager
  - Assets
  - Communities
  - Forms
  - Livefyre
  - Mobile
  - Sites

#### Adobe Experience Cloud
- Adobe Social
  - Social

#### Magento Commerce Cloud
- Magento Commerce
  - Business Intelligence
  - Social
  - Shipping

### Publishing
- Authorware: eLearning Suite
- Captivate: Font Folio
- ColdFusion: FrameMaker
- Connect: JRun
- Contribute: LiveCycle
- Director: PageMaker

Adobe provides this information as of the modification date above and makes no commitment to update the information subsequently. For a full explanation of this data, you are encouraged to review Adobe's Form 10-K and 10-Q SEC filings.
Adobe Financial Targets
September 13, 2018

This document summarizes financial targets and target commentary provided by Adobe, and reconciles GAAP to non-GAAP targets.

Q4 Fiscal Year 2018 Targets
The following third quarter fiscal year 2018 targets were provided by Adobe on September 13, 2018.

<table>
<thead>
<tr>
<th>Target Category</th>
<th>Target Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adobe total revenue (includes Magento)</td>
<td>~$2.420 billion</td>
</tr>
<tr>
<td>Digital Media segment revenue</td>
<td>~22% year-over-year growth</td>
</tr>
<tr>
<td>Digital Experience segment revenue</td>
<td>~20% year-over-year growth</td>
</tr>
<tr>
<td>Net non-operating other expense</td>
<td>~$7 million</td>
</tr>
<tr>
<td>Tax rate</td>
<td>GAAP: ~6%</td>
</tr>
<tr>
<td></td>
<td>Non-GAAP: ~5%</td>
</tr>
<tr>
<td>Share count</td>
<td>~495 million shares</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>GAAP: ~$1.42</td>
</tr>
<tr>
<td></td>
<td>Non-GAAP: ~$1.87</td>
</tr>
<tr>
<td>Net new Digital Media annualized recurring revenue</td>
<td>~$385 million</td>
</tr>
</tbody>
</table>

- Material year-ago Acrobat perpetual licensing factored into our Digital Media year over year revenue growth
- Expect slight upside to original target of ~$30 million of Q4 Magento revenue

Calculating Annualized Recurring Revenue ("ARR")

<table>
<thead>
<tr>
<th>ARR Category</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative ARR</td>
<td>Annual Value of Creative Cloud Subscriptions and Services +</td>
</tr>
<tr>
<td></td>
<td>Annual Digital Publishing Suite Contract Value +</td>
</tr>
<tr>
<td></td>
<td>Annual Creative ETLA Contract Value</td>
</tr>
<tr>
<td>Document Cloud ARR</td>
<td>Annual Value of Document Cloud Subscriptions and Services +</td>
</tr>
<tr>
<td></td>
<td>Annual Document Cloud ETLA Contract Value</td>
</tr>
<tr>
<td>Digital Media ARR</td>
<td>Creative ARR + Document Cloud ARR</td>
</tr>
</tbody>
</table>

Note: ARR targets and results are adjusted for constant currency based on exchange rates in December each year.
Reconciliation of GAAP to Non-GAAP Financial Targets
(In millions, except per share data)

The following tables show Adobe's fourth quarter fiscal year 2018 financial targets reconciled to non-GAAP financial targets included in this document.

### Fourth Quarter Fiscal 2018

**Diluted net income per share:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP diluted net income per share</td>
<td>$1.42</td>
</tr>
<tr>
<td>Stock-based and deferred compensation expense</td>
<td>0.36</td>
</tr>
<tr>
<td>Amortization of purchased intangibles</td>
<td>0.10</td>
</tr>
<tr>
<td>Income tax adjustments</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Non-GAAP diluted net income per share</td>
<td>$1.87</td>
</tr>
</tbody>
</table>

| Shares used to compute diluted net income per share | 495.0 |

**Effective income tax rate:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP effective income tax rate</td>
<td>6.0%</td>
</tr>
<tr>
<td>Income tax adjustments</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Impact of Tax Act</td>
<td>1.0</td>
</tr>
<tr>
<td>Non-GAAP effective income tax rate</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

**Use of Non-GAAP Financial Information**

Adobe continues to provide all information required in accordance with GAAP, but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Adobe uses non-GAAP financial information to evaluate its ongoing operations and for internal planning and forecasting purposes. Adobe's management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Adobe presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Adobe's operating results. Adobe believes these non-GAAP financial measures are useful because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. This allows institutional investors, the analyst community and others to better understand and evaluate our operating results and future prospects in the same manner as management.

Adobe's management believes it is useful for itself and investors to review, as applicable, both GAAP information as well as non-GAAP measures, which may exclude items such as stock-based and deferred compensation expenses, restructuring and other...
charges, amortization of purchased intangibles and certain activity in connection with technology license arrangements, investment gains and losses, the related tax impact of all of these items, income tax adjustments, and the income tax effect of the non-GAAP pre-tax adjustments from the provision for income taxes. Adobe uses these non-GAAP measures in order to assess the performance of Adobe’s business and for planning and forecasting in subsequent periods. Whenever such a non-GAAP measure is used, Adobe provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure as detailed above.

Forward-Looking Statements Disclosure

Our financial targets contain forward-looking statements and projections, including those related to revenue, earnings per share on a GAAP and non-GAAP basis, annualized recurring revenue, share count, non-operating other expense, and tax rate on a GAAP and non-GAAP basis, which involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to: failure to develop, acquire, market and offer products and services that meet customer requirements, failure to compete effectively, introduction of new technology, complex sales cycles, risks related to the timing of revenue recognition from our subscription offerings, fluctuations in subscription renewal rates, risks associated with cyber-attacks, potential interruptions or delays in hosted services provided by us or third parties, information security and privacy, failure to realize the anticipated benefits of past or future acquisitions, changes in accounting principles and tax regulations, uncertainty in the financial markets and economic conditions in the countries where we operate, and other various risks associated with being a multinational corporation.

For a discussion of these and other risks and uncertainties, please refer to Adobe’s Annual Report on Form 10-K for our fiscal year 2017 ended Dec. 1, 2017, and Adobe’s Quarterly Reports on Form 10-Q issued in fiscal year 2018.
Adobe to Acquire Magento Commerce

Acquisition Brings Leading Commerce Platform to Adobe Experience Cloud

SAN JOSE, Calif. — May 21, 2018 — Adobe (Nasdaq: ADBE) today announced it has entered into a definitive agreement to acquire Magento Commerce, a market-leading commerce platform, for $1.68 billion, subject to customary purchase price adjustments. The addition of the Magento Commerce Cloud will enable commerce to be seamlessly integrated into the Adobe Experience Cloud, delivering a single platform that serves both B2B and B2C customers globally. The Magento Platform brings together digital commerce, order management and predictive intelligence into a unified commerce platform enabling shopping experiences across a wide array of industries.

Adobe is the leader in designing and delivering digital experiences through content and data. At the core of every great experience are content and data, which enable the consistent, personal, intuitive experiences consumers have come to expect. Commerce is also integral to the customer experience. Consumers and businesses now expect every interaction to be shoppable – whether on the web, mobile, social, in-product or in-store.

Magento brings Adobe Experience Cloud digital commerce enablement and order orchestration for both physical and digital goods across a range of industries, including consumer packaged goods, retail, wholesale, manufacturing and the public sector. The Magento Platform is built on proven, scalable technology supported by a vibrant community of more than 300,000 developers. The Magento partner ecosystem provides thousands of pre-built extensions, including payment, shipping, tax and logistics. This level of flexibility gives businesses the ability to quickly ramp and iterate their commerce capabilities for their unique business needs.

Current Magento customers include brands like Canon, Helly Hansen, Paul Smith and Rosetta Stone. Adobe and Magento share joint customers including Coca-Cola, Warner Music Group, Nestlé and Cathay Pacific.

“Adobe is the only company with leadership in content creation, marketing, advertising, analytics and now commerce – enabling real-time experiences across the entire customer journey,” said Brad Rencher, executive vice president and general manager, Digital Experience, Adobe. “Embedding commerce into the Adobe Experience Cloud with Magento enables Adobe to make every moment personal and every experience shoppable.”

“Adobe and Magento share a vision for the future of digital experiences that brings together Adobe’s strength in content and data with Magento’s open commerce innovation,” said Mark Lavelle, CEO, Magento. “We’re excited to join Adobe and believe this will be a great opportunity for our customers, partners and developer community.”

Upon close, Magento CEO Mark Lavelle will continue to lead the Magento team as part of Adobe’s Digital Experience business, reporting to executive vice president and general manager Brad Rencher.

The transaction, which is expected to close during the third quarter of Adobe’s 2018 fiscal year, is subject to regulatory approval and customary closing conditions. Until the transaction closes, each company will continue to operate independently.
Conference Call Scheduled for 2:00 p.m. PDT Today
Adobe executives will comment on the acquisition of Magento today during a live conference call, which is scheduled to begin at 2:00 p.m. PDT. Analysts, investors, press and other interested parties can participate in the call by dialing 877-376-9431 and using passcode 9448279. International callers should dial 402-875-4755. The call will last approximately 30 minutes and an audio archive of the call will be made available later in the day. Questions related to accessing the conference call can be directed to Adobe Investor Relations by calling 408-536-4416 or sending an email to ir@adobe.com.

Forward-Looking Statements Disclosure
This press release includes forward-looking statements within the meaning of applicable securities law. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements. Forward-looking statements relate to future events and future performance and reflect Adobe’s expectations regarding the ability to extend its leadership in the experience business through expansion of its commerce platform and other anticipated benefits of the transaction with Magento. Forward looking statements involve risks, including general risks associated with Adobe’s and Magento’s business, uncertainties and other factors that may cause actual results to differ materially from those referred to in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: Adobe’s ability to embed Magento technology into Adobe Experience Cloud; the effectiveness of Magento technology; potential benefits of the transaction to Adobe and Magento customers, the ability of Adobe and Magento to close the announced transaction; the possibility that the closing of the transaction may be delayed; and any statements of assumptions underlying any of the foregoing. The reader is cautioned not to rely on these forward-looking statements. All forward-looking statements are based on information currently available to Adobe and are qualified in their entirety by this cautionary statement. For a discussion of these and other risks and uncertainties, individuals should refer to Adobe’s SEC filings. Adobe does not assume any obligation to update any such forward-looking statements or other statements included in this press release.

About Magento Commerce
Magento Commerce is a leading provider of cloud commerce innovation to merchants and brands across B2C and B2B industries. In addition to its flagship digital commerce platform, Magento Commerce boasts a strong portfolio of cloud-based omnichannel solutions that empower merchants to successfully integrate digital and physical shopping experiences. Magento Commerce is the #1 provider to the Internet Retailer Top 1000, the B2B 300 and the Top 500 Guides for Europe and Latin America. Magento Commerce is supported by a vast global network of solution and technology partners, a highly active global developer community and the largest eCommerce marketplace for extensions available for download on the Magento Marketplace. More information can be found at www.magento.com.

About Adobe
Adobe is changing the world through digital experiences. For more information, visit www.adobe.com

###
FOR IMMEDIATE RELEASE

Adobe Completes Acquisition of Magento Commerce

SAN JOSE, Calif. — June 19, 2018 — Adobe (Nasdaq:ADBE) today announced the completion of its acquisition of Magento Commerce, a market-leading commerce platform. The addition of the Magento Commerce Cloud to the Adobe Experience Cloud will deliver a single, end-to-end digital experience platform including content creation, marketing, advertising, analytics and commerce for B2B and B2C customers. The Magento Platform brings together digital commerce, order management and predictive intelligence to enable shopping experiences that scale for businesses of any size.

Adobe is the world’s leader in designing and delivering digital experiences. At the core of every great experience are content and data, which enable the consistent, personal, intuitive experiences consumers have come to expect. Commerce is integral to the customer experience—whether on the web, mobile, social, in-product or in-store. Adding commerce to the Adobe Experience Cloud enables our customers to make every moment personal and every experience shoppable.

Magento Commerce Cloud brings digital commerce and order orchestration for both physical and digital goods across a range of industries, including consumer packaged goods, retail, wholesale, manufacturing and the public sector. The Magento Platform is built on proven, scalable technology supported by a vibrant community of more than 300,000 developers. The Magento partner ecosystem provides thousands of pre-built extensions, including payment, shipping, tax and logistics. This level of flexibility enables businesses to quickly ramp and iterate their commerce experience with their changing business needs.

“Across every industry, people aren’t just buying products, they’re buying experiences,” said Brad Rencher, executive vice president and general manager, Digital Experience, Adobe. “Adobe is the leader in delivering end-to-end digital experiences and with Magento Commerce, Adobe will further solidify its leadership position.”

“Digital transformation starts with a creative spark or a specific business need and comes to life with best-in-class technology,” said Mark Lavelle, CEO, Magento. “As a part of Adobe, we see a tremendous business opportunity to power experience-driven commerce for brands and merchants of all sizes.”

With the acquisition now closed, Magento Commerce CEO Mark Lavelle will lead the Magento Commerce Cloud business, reporting to executive vice president and general manager of Adobe’s Digital Experience business unit, Brad Rencher.

About Adobe Experience Cloud
Adobe Experience Cloud is a comprehensive set of cloud services designed to give enterprises everything needed to deliver exceptional customer experiences. Comprised of Adobe Marketing Cloud, Adobe Advertising Cloud and Adobe Analytics Cloud, Adobe Experience Cloud is built on the Adobe Cloud Platform and integrated with Creative Cloud and Adobe Document Cloud. Leveraging Adobe Sensei’s machine learning and artificial intelligence capabilities, Adobe Experience Cloud combines world-class solutions, a complete extensive platform, comprehensive data and content systems, and a robust partner ecosystem that offer an unmatched expertise in experience delivery.

About Magento Commerce
Magento Commerce is a leading provider of cloud commerce innovation to merchants and brands across B2C and B2B industries and was recently named a [leader in the 2018 Gartner Magic Quadrant for Digital Commerce](#). In addition to its flagship digital commerce platform, Magento provides a vibrant community of developers, pre-built extensions and an ever-expanding partner ecosystem.
commerce platform, Magento Commerce boasts a strong portfolio of cloud-based omnichannel solutions that empower merchants to successfully integrate digital and physical shopping experiences. Magento Commerce is the #1 provider to the Internet Retailer Top 1000, the B2B 300 and the Top 500 Guides for Europe and Latin America. Magento Commerce is supported by a vast global network of solution and technology partners, a highly active global developer community and the largest eCommerce marketplace for extensions available for download on the Magento Marketplace. More information can be found at www.magento.com.

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Helpful Links
- Adobe Completes Acquisition of Magento Commerce
- Magento is now part of Adobe

About Adobe
Adobe is changing the world through digital experiences. For more information, visit www.adobe.com.

###
FOR IMMEDIATE RELEASE

Adobe to Acquire Marketo

Combination of Adobe Experience Cloud and Marketo Engagement Platform Widens Adobe’s Lead in Customer Experience Across B2C and B2B

SAN JOSE, Calif. — Sept. 20, 2018 — Adobe (Nasdaq:ADBE) today announced it has entered into a definitive agreement to acquire Marketo, the market-leading cloud platform for B2B marketing engagement, for $4.75 billion, subject to customary purchase price adjustments. With nearly 5,000 customers, Marketo brings together planning, engagement and measurement capabilities into an integrated B2B marketing platform. Adding Marketo’s engagement platform to Adobe Experience Cloud will enable Adobe to offer an unrivaled set of solutions for delivering transformative customer experiences across industries and companies of all sizes.

Today, consumers have a very high bar for what constitutes a great customer experience and Adobe Experience Cloud has enabled B2C companies to successfully drive business impact by harnessing massive volumes of customer data and content in order to deliver real-time, cross-channel experiences that are personalized and consistent. When businesses buy from other businesses, they now have the same high expectations as consumers.

Marketo’s platform is feature-rich and cloud-native with significant opportunities for integration across Adobe Experience Cloud. Enterprises of all sizes across industries rely on Marketo’s marketing applications to drive engagement and customer loyalty. Marketo’s ecosystem includes over 500 partners and an engaged marketing community with over 65,000 members.

This acquisition brings together the richness of Adobe Experience Cloud analytics, content, personalization, advertising and commerce capabilities with Marketo’s lead management and account-based marketing technology to provide B2B companies with the ability to create, manage and execute marketing engagement at scale.

“The imperative for marketers across all industries is a laser focus on providing relevant, personalized and engaging experiences,” said Brad Rencher, executive vice president and general manager, Digital Experience, Adobe. “The acquisition of Marketo widens Adobe’s lead in customer experience across B2C and B2B and puts Adobe Experience Cloud at the heart of all marketing.”

“Adobe and Marketo both share an unwavering belief in the power of content and data to drive business results,” said Steve Lucas, CEO, Marketo. “Marketo delivers the leading B2B marketing engagement platform for the modern marketer, and there is no better home for Marketo to continue to rapidly innovate than Adobe.”

The transaction, which is expected to close during the fourth quarter of Adobe’s 2018 fiscal year, is subject to regulatory approval and customary closing conditions. Until the transaction closes, each company will continue to operate independently.

Upon close, Marketo CEO Steve Lucas will join Adobe’s senior leadership team and continue to lead the Marketo team as part of Adobe’s Digital Experience business, reporting to executive vice president and general manager Brad Rencher.

Conference Call Scheduled for 2 p.m. PT Today
Adobe executives will comment on the acquisition of Marketo today during a live conference call, which is scheduled to begin at 2 p.m. PT. Analysts, investors, press and other interested parties can participate in the call by dialing (877) 376-9431 and using passcode 2867298. International callers should dial (402) 875-4755. The call will last approximately 30 minutes and an audio
archive of the call will be made available later in the day. Questions related to accessing the conference call can be directed to Adobe Investor Relations by calling 408-536-4416 or sending an email to ir@adobe.com.

Forward-Looking Statements Disclosure
This press release includes forward-looking statements within the meaning of applicable securities law. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements. Forward-looking statements relate to future events and future performance and reflect Adobe’s expectations regarding the ability to extend its leadership in the experience business through the addition of Marketo’s platform and other anticipated benefits of the transaction. Forward looking statements involve risks, including general risks associated with Adobe’s and Marketo’s business, uncertainties and other factors that may cause actual results to differ materially from those referred to in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: Adobe’s ability to embed Marketo technology into Adobe Experience Cloud; the effectiveness of Marketo technology; potential benefits of the transaction to Adobe and Marketo customers, the ability of Adobe and Marketo to close the announced transaction; the possibility that the closing of the transaction may be delayed; and any statements of assumptions underlying any of the foregoing. The reader is cautioned not to rely on these forward-looking statements. All forward-looking statements are based on information currently available to Adobe and are qualified in their entirety by this cautionary statement. For a discussion of these and other risks and uncertainties, individuals should refer to Adobe’s SEC filings. Adobe does not assume any obligation to update any such forward-looking statements or other statements included in this press release.

About Marketo
Marketo, Inc., offers the leading Engagement Platform that empowers marketers to create lasting relationships and grow revenue. Consistently recognized as the industry’s innovation pioneer, Marketo is the trusted platform for thousands of CMOs thanks to its scalability, reliability, and openness. Marketo is headquartered in San Mateo, CA, with offices around the world, and serves as a strategic partner to large enterprises and fast-growing organizations across a wide variety of industries. To learn more about the Marketo Engagement Platform, LaunchPoint® partner ecosystem and the vast community that is the Marketing Nation®, visit www.marketo.com.

About Adobe
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FOR IMMEDIATE RELEASE

Adobe Completes Acquisition of Marketo

SAN JOSE, Calif. — Oct. 31, 2018 — Adobe (Nasdaq:ADBE) today announced the completion of its acquisition of Marketo, the market leader for B2B marketing engagement. With Adobe’s acquisition of Marketo, customers will benefit from the combination of Adobe Experience Cloud’s analytics, personalization and content capabilities with Marketo’s lead management, account-based marketing and revenue attribution technology, helping companies further connect marketing engagement to revenue growth. Marketo Engagement Platform will become part of Adobe Marketing Cloud, the leader in managing, optimizing, and orchestrating cross-channel experiences and campaigns across B2B and B2C use cases in all industries.

Digital transformation has become the mandate for executives in every boardroom across the globe. To compete and win today, businesses need to provide a world-class, end-to-end customer experience across every touchpoint. Adobe is leading the charge to reimagine customer experience management (CXM) with Adobe Experience Cloud, the industry’s only end-to-end solution for marketing, advertising, analytics and commerce.

The Marketo Engagement Platform drives business growth by personalizing complex buyer journeys and uniquely aligning marketing and sales teams across every channel. Marketo’s platform is feature-rich and cloud-native with significant opportunities for integration across Adobe Experience Cloud. Marketo’s ecosystem includes over 500 partners and an engaged marketing community with over 65,000 members.

“The combination of Adobe Experience Cloud and Marketo’s Engagement Platform provides an unrivaled set of solutions for delivering transformative customer experiences across industries and companies of all sizes—making every business an experience business,” said Brad Rencher, executive vice president and general manager, Digital Experience, Adobe. “Adobe is leading the charge to reimagine customer experience management, and with Marketo, we’re further delivering on this vision.”

“Marketo is the long-standing leader in B2B marketing,” said Steve Lucas, CEO, Marketo. “As a part of Adobe, we see an extraordinary opportunity to further accelerate Marketo’s momentum and deliver combined value to marketers around the world.”

With the acquisition now closed, Marketo CEO Steve Lucas will continue to lead the Marketo team as part of Adobe’s Digital Experience business, reporting to Brad Rencher.

About Adobe Experience Cloud
Adobe offers the industry’s only end-to-end solution for content creation, marketing, advertising, analytics and commerce. Unlike legacy enterprise platforms with static, siloed customer profiles, Adobe Experience Cloud helps companies deliver consistent, continuous and compelling experiences in real-time across customer touchpoints and channels—all while accelerating business growth.

About Marketo
Marketo Inc., an Adobe company, offers the leading Engagement Platform that empowers marketers to create lasting relationships and grow revenue. Consistently recognized as the industry’s innovation pioneer, Marketo is the trusted platform for thousands of CMOs thanks to its scalability, reliability and openness. Marketo is headquartered in San Mateo, CA, with offices around the world, and serves as a strategic partner to large enterprises and fast-growing organizations across a wide variety of industries. To learn more about the Marketo Engagement Platform, LaunchPoint® partner ecosystem and the vast community that is the Marketing Nation®, visit www.marketo.com.
Forward-Looking Statements Disclosure
This press release includes forward-looking statements within the meaning of applicable securities law. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements. Forward-looking statements relate to future events and future performance and reflect Adobe’s expectations regarding the ability to extend its leadership in the experience business through the addition of Marketo’s platform and other anticipated benefits of the transaction. Forward-looking statements involve risks, including general risks associated with Adobe’s and Marketo’s business, uncertainties and other factors that may cause actual results to differ materially from those referred to in the forward-looking statements. Factors that could cause or contribute to such differences include but are not limited to: Adobe’s ability to embed Marketo technology into Adobe Experience Cloud; the ability to integrate Marketo’s partner ecosystem with Adobe’s business; and any statements of assumptions underlying any of the foregoing. The reader is cautioned not to rely on these forward-looking statements. All forward-looking statements are based on information currently available to Adobe and are qualified in their entirety by this cautionary statement. For a discussion of these and other risks and uncertainties, individuals should refer to Adobe’s SEC filings. Adobe does not assume any obligation to update any such forward-looking statements or other statements included in this press release.

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FOR IMMEDIATE RELEASE

Adobe Announces Next Generation of Creative Cloud at MAX 2018

Major Updates to Flagship Apps, Launch of Premiere Rush CC for Social Video and Previews of Photoshop CC and Project Gemini on iPad Accelerate Creative Cloud Innovation and Value

LOS ANGELES — Oct. 15, 2018 — Today at Adobe MAX, the Creativity Conference, Adobe (Nasdaq: ADBE) announced major updates to Creative Cloud applications including Photoshop CC, Lightroom CC, Illustrator CC, InDesign CC, Premiere Pro CC and Adobe XD. Adobe also introduced Adobe Premiere Rush CC, the first all-in-one, easy-to-use video editing app for social media creators, simplifying video creation and sharing on platforms including YouTube and Instagram. Adobe previewed new iPad versions of Adobe Photoshop CC and Project Gemini, a drawing app, reinforcing the company’s commitment to delivering high-performance apps that work seamlessly across surfaces.

“Today, we unveiled a portfolio of next-generation creative apps that deliver meaningful value to our community by transforming creative workflows across devices and platforms,” said Scott Belsky, chief product officer and executive vice president, Creative Cloud, Adobe. “By continuing to innovate in our flagship apps, extending into exploding segments such as experience design and social video creation, and pioneering in emerging mediums like touch, voice, 3D and augmented reality, Adobe Creative Cloud has truly become the creativity platform for all.”

Expanding Innovation Across Creative Cloud Applications and Services
Adobe introduced major updates to its desktop applications, including: a new Content-Aware Fill workspace in Photoshop CC; performance and workflow improvements across Lightroom CC and Lightroom Classic; the ability to design with photorealistic, Freeform gradients in Illustrator CC; a powerful Content-Aware Fit in InDesign CC; the power to instantly create and animate unique, stylized puppets using a webcam and reference artwork with Character Animator’s new Characterizer; a new rendering engine for improved render preview performance in Dimension CC; and new Sensei powered search features and exclusive content in Adobe Stock, including a new library of clips from GoPro. In addition, Adobe announced it is addressing the needs of the video animation industry with new workflows and integrations across apps, including Animate to After Effects, Animate to Character Animator and Adobe XD to After Effects.

Adobe XD, the all-in-one UX/UI solution for designing websites and mobile apps, now features new capabilities leveraging recently acquired Sayspring technology to empower designers to prototype experiences and apps for voice-powered devices, such as Amazon Echo. New voice capabilities, including voice triggers and speech playback, enable designers to create powerful experiences with screen and voice prototyping now in one application. In addition, developers can now leverage Adobe XD APIs to build plug-ins and app integrations that add new features, automate workflows and connect XD to the tools and services designers use every day.

Unleashing Social Video Content Creators with Premiere Rush CC
Designed specifically for online video creators, Premiere Rush CC integrates capture, intuitive editing, simplified color, audio and motion graphics with seamless publishing to leading social platforms, such as YouTube and Instagram, all together in one easy-to-use solution. With Premiere Rush CC, content creators do not have to be video, color or audio experts to publish professional-quality videos. Premiere Rush CC harnesses the power of Premiere Pro CC and After Effects CC, offers built-in access to professionally designed Motion Graphics templates in Adobe Stock to get started quickly and features a Sensei-powered, one-
click auto-duck feature to adjust music and normalize sound. It also allows access anywhere, enabling users to create compelling video projects – optimized for social distribution – on one device and publish from another with a consistent user experience across desktop and mobile.

**Previewing High-Performance Creative Imaging and Drawing Apps Across Devices**
Adobe previewed two future mobile apps designed to usher in a new era of multi-surface creation while complementing workflows across Adobe’s existing flagship desktop applications:

- **Photoshop CC on iPad**: Redesigned for a modern touch experience, Photoshop CC on iPad will deliver the power and precision of its desktop counterpart. Photoshop CC on iPad will let users open and edit native PSD files using Photoshop’s industry-standard image-editing tools and will feature the familiar Photoshop layers panel. With Photoshop CC across devices, coming first to iPad in 2019, you will be able to start your work on an iPad and seamlessly roundtrip all of your edits with Photoshop CC on the desktop via Creative Cloud.

- **Project Gemini**: A new app designed to accelerate drawing and painting workflows across devices, Project Gemini, coming first to iPad in 2019, combines raster, vector and new dynamic brushes into a single app experience built for drawing. Project Gemini enables artists to use and sync their favorite Photoshop brushes and works seamlessly with Photoshop CC.

**Unparalleled Productivity Enhancements with Adobe Sensei**
The 2019 release of Creative Cloud delivers more than a dozen new Adobe Sensei-powered features and productivity enhancements – building on dozens of existing Sensei-powered features already available to Adobe Creative Cloud, Document Cloud and Experience Cloud customers. Sensei-powered features in the 2019 release include:

- An expanded Content-Aware Fill workspace in Photoshop CC that offers greater precision and control to save editors valuable time when working with their images.
- A new Content-Aware Fit feature in InDesign CC that intelligently detects an image and crops or fits it to an image frame automatically.
- New Freeform Gradients in Illustrator CC that enable the creation of natural gradients.
- A new tool in Character Animator CC, Characterizer, that transforms any style of portrait into a vivid, animated character.

Designed to make creatives more successful and supercharge their productivity, the 2019 Creative Cloud release delivers significant performance and usability improvements, greater cross-application integration, intuitive collaboration features and faster access to file assets and services. Among the new capabilities, Adobe is optimizing the in-app Start experience to accelerate customer on-boarding with new apps and improve discoverability of new features and product capabilities.

Additional workflow improvements include a contextually-aware Properties Panel in InDesign CC to display options based on the object selected, expanded Undo and auto-resizing in Photoshop CC, a customizable toolbar in Illustrator CC and a modern UI in Bridge CC with support for bulk uploads of libraries. Creative Cloud members also get the all new Adobe Acrobat DC, which provides a completely reimagined way to share work and get it reviewed and approved without sending email attachments or managing version control.

**Previewing the Future of Immersive Design**
Adobe previewed Project Aero, a new cross-device AR authoring tool that enables creators to design augmented reality experiences. Project Aero is the first AR app built for designers and artists and was first sneaked on-stage at Apple’s Worldwide Developer Conference earlier this year. Project Aero enables optimal delivery of AR experiences, empowering creatives to place digital content in the real world. At Adobe MAX, Adobe showcased an AR-powered retail store of the future, revealing the exciting possibilities of immersive design experiences.

**Empowering Enterprise Customers**
Adobe announced deeper integrations between Creative Cloud and Adobe Experience Cloud that unify creative and marketer workflows. With these integrations, brands can now easily access assets in Experience Manager within Creative Cloud apps, Adobe Stock images can be leveraged in Experience Manager, and 3D content designed with Dimension CC can be adjusted in Experience Manager and published as marketing assets.
For a comprehensive feature summary and overview of Creative Cloud innovation and new features visit:

- **Digital and Creative Imaging:** including Photoshop CC, Photoshop CC on iPad, Dimension CC, Project Aero and Project Gemini
- **Photography:** including Lightroom CC and Lightroom Classic
- **Digital Video and Audio:** including Premiere Rush CC, Premiere Pro CC, After Effects CC, Audition CC and Character Animator
- **Design and Visual Storytelling:** including Adobe XD, Illustrator CC, InDesign CC and Adobe Spark
- **Services:** including Adobe Stock, Adobe Portfolio and Adobe Fonts

Pricing and Availability
Updates to Creative Cloud desktop software are now available to all Creative Cloud subscribers, including membership plans for individuals, students, teams, educational institutions, government agencies and enterprises. Adobe’s mobile apps are available for download from the iOS App Store and Google Play.

Photoshop CC on iPad, Project Aero and Project Gemini on iPad will be available in 2019. Spark Post on Android, previously available as a public beta, is now available as a 1.0 app in the Google Play store.

The all-new Premiere Rush CC, available now on Windows and macOS and via the iOS App Store (Google Play store availability coming in 2019), is offered across a series of plans tailored for customers’ unique needs.

- Premiere Rush CC is available for $9.99/month to individuals, $19.99/month to teams and $29.99/month to enterprise customers. Premiere Rush CC is also included as part of All Apps, Student and Premiere Pro CC single app plans and comes with 100 GB of CC storage. Additional storage options, up to 10 TB, are also available for purchase.
- Premiere Rush CC Starter Plan: Available for free, the Starter Plan gives customers access to all Premiere Rush CC features, use of desktop and mobile apps and the ability to create an unlimited number of projects and export up to three projects for free.

About Adobe MAX
Adobe MAX brings together the world’s best creative minds, industry luminaries and celebrities. MAX 2018 keynote speakers and presenters include Academy Award-winning filmmaker Ron Howard, comic book artist Nicola Scott, one of the world's most prolific photographers Albert Watson and comedian Tiffany Haddish, who will host MAX Sneaks – a preview of technology innovation brewing in Adobe Research. MAX attendees will also witness an exclusive trailer preview of Sony's upcoming feature animated film, "Spider-Man™: Into the Spider-Verse," and appearances by Questlove and Lilly Singh. In addition, MAX brings together major technology companies including HP, CDW, Dell, Google, Samsung and Intel, and design-forward creative brands such as Adidas and Sony. A livestream of the Adobe MAX keynote presentations can be viewed here on Monday, October 15 starting at 9 a.m. PT and on Tuesday, October 16 starting at 10 a.m. PT.

About Adobe Sensei
Adobe Sensei is a framework and set of intelligent services built into the Adobe Cloud Platform which dramatically improve the design and delivery of digital experiences. Adobe Sensei leverages the company’s massive volume of content and data assets, as well as its deep domain expertise in the creative, marketing and document segments, within a unified artificial intelligence/machine learning framework. To learn more, visit adobe.com/go/sensei.

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FOR IMMEDIATE RELEASE

Adobe Outlines Growth Strategy at Adobe MAX

LOS ANGELES — Oct. 15, 2018 — Adobe (Nasdaq:ADBE) today will host a financial analyst meeting with investors and financial analysts at its Adobe MAX Creativity Conference.

At today’s meeting in Los Angeles, Adobe’s executive team will discuss the company’s expanded growth opportunities and strategies across each of its major businesses. As part of its presentation, Adobe will outline numerous growth drivers and show research data that the company’s total addressable market has expanded from approximately $83 billion in 2020 to approximately $108 billion by 2021.

Adobe is reaffirming its current Q4 fiscal year 2018 revenue and earnings per share targets. The company is also providing preliminary growth targets for fiscal year 2019. These targets do not reflect Adobe’s planned acquisition of Marketo, which the company expects to close during Q4 fiscal year 2018.

“Our strategy of empowering people to create and transforming how businesses compete is leading to larger addressable market opportunities and the potential for accelerated revenue and earnings growth,” said Shantanu Narayen, president and CEO, Adobe. “Our 2019 growth targets reflect our continued momentum and market leadership.”

Adobe Provides Preliminary FY2019 Growth Targets
At today’s financial analyst meeting, Adobe is providing preliminary growth targets for its fiscal year 2019, which are summarized in the table below.

<table>
<thead>
<tr>
<th>Total Adobe revenue(^1)</th>
<th>Approximately 20 percent year-over-year growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Media segment revenue</td>
<td>Approximately 20 percent year-over-year growth</td>
</tr>
<tr>
<td>Digital Experience segment revenue</td>
<td>Approximately 20 percent year-over-year growth</td>
</tr>
<tr>
<td>Digital Media annualized recurring revenue (“ARR”)</td>
<td>Approximately $1.4 billion of net new ARR</td>
</tr>
<tr>
<td>Digital Experience subscription bookings(^2)</td>
<td>Approximately 25 percent year-over-year growth</td>
</tr>
</tbody>
</table>

\(^1\) Revenue targets were set based on Sept. 2018 foreign exchange (“FX”) rates, which for current planning purposes are assumed to be constant during fiscal year 2019

\(^2\) Includes annualized subscription value of SaaS, managed service and term offerings under contract for Adobe Analytics Cloud, Adobe Marketing Cloud and Magento Commerce Cloud

Adobe expects to report Q4 fiscal year 2018 financial results and provide fiscal year 2019 revenue and earnings per share targets on Dec. 13, 2018. These results and targets are expected to include the impact of the acquisition of Marketo.
Adobe Reaffirms Q4 Revenue and Earnings Targets
As part of its meeting today, Adobe is affirming it is on track to achieve Q4 fiscal year 2018 revenue of $2.42 billion. The Company also stated it is on track to achieve its Q4 earnings per share targets of $1.42 on a GAAP-basis, and $1.87 on a non-GAAP basis, as well as meet other financial metrics it targeted for the quarter. These targets do not reflect the impact of Adobe’s pending acquisition of Marketo.

A reconciliation between GAAP and non-GAAP earnings per share targets is provided later in this press release.

Adobe to Webcast Financial Analyst Meeting
Adobe will webcast its meeting with financial analysts and investors in attendance at Adobe MAX beginning at 5 p.m. Eastern Time today. People can access the webcast and slides from this event from the Adobe Investor Relations webpage at http://www.adobe.com/ADBE. The live video webcast will last approximately three hours and will be archived on Adobe's website for approximately 45 days. There will be no phone dial-in capability.

Forward-Looking Statements Disclosure
This press release contains forward-looking statements, including those related to business momentum and strategy, market expansion, the closing of the Marketo acquisition, revenue, earnings, annualized recurring revenue, bookings, operating cash flow, non-operating other expense, GAAP and non-GAAP tax rate, GAAP and non-GAAP earnings per share and share count, all of which involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to: failure to develop, acquire, market and offer products and services that meet customer requirements, failure to compete effectively, introduction of new technology, complex sales cycles, risks related to the timing of revenue recognition from our subscription offerings, fluctuations in subscription renewal rates, risks associated with cyber-attacks, potential interruptions or delays in hosted services provided by us or third parties, information security and privacy, failure to realize the anticipated benefits of past or future acquisitions, changes in accounting principles and tax regulations, uncertainty in the financial markets and economic conditions in the countries where we operate, and other various risks associated with being a multinational corporation.

For a discussion of these and other risks and uncertainties, please refer to Adobe’s Annual Report on Form 10-K for our fiscal year 2017 ended Dec. 1, 2017, and Adobe’s Quarterly Reports on Form 10-Q issued in fiscal year 2018.

Adobe assumes no obligation to, and does not currently intend to, update these forward-looking statements.

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Reconciliation of GAAP to Non-GAAP Financial Targets
The following table shows Adobe's fourth quarter fiscal year 2018 GAAP earnings per share target reconciled to the non-GAAP financial target included in this document.

<table>
<thead>
<tr>
<th>Diluted net income per share</th>
<th>Fourth Quarter Fiscal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP diluted net income per share</td>
<td>$ 1.42</td>
</tr>
<tr>
<td>Stock-based and deferred compensation expense</td>
<td>0.36</td>
</tr>
<tr>
<td>Amortization of purchased intangibles</td>
<td>0.10</td>
</tr>
<tr>
<td>Income tax adjustments</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Non-GAAP diluted net income per share</td>
<td>$ 1.87</td>
</tr>
</tbody>
</table>

Shares used to compute diluted net income per share................. 495.0

Use of Non-GAAP Financial Information
Adobe continues to provide all information required in accordance with GAAP, but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Adobe uses non-GAAP financial information to evaluate its ongoing operations and for internal planning and forecasting purposes. Adobe's management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Adobe presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Adobe's operating results. Adobe believes these non-GAAP financial measures are useful because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. This allows institutional investors, the analyst community and others to better understand and evaluate our operating results and future prospects in the same manner as management.

Adobe's management believes it is useful for itself and investors to review, as applicable, both GAAP information that may include items such as stock-based and deferred compensation expenses, restructuring and other charges, amortization of purchased intangibles and certain activity in connection with technology license arrangements, investment gains and losses and the related tax impact of all of these items, income tax adjustments, the income tax effect of the non-GAAP pre-tax adjustments from the provision for income taxes, and the non-GAAP measures that exclude such information in order to assess the performance of Adobe's business and for planning and forecasting in subsequent periods. Whenever Adobe uses such a non-GAAP financial measure, it provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure as detailed above.
Our actual results could differ materially from our forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed below. These and many other factors described in this report could adversely affect our operations, performance and financial condition.

If we cannot continue to develop, acquire, market and offer new products and services or enhancements to existing products and services that meet customer requirements, our operating results could suffer.

The process of developing and acquiring new technology products and services and enhancing existing offerings is complex, costly and uncertain. If we fail to anticipate customers' rapidly changing needs and expectations or adapt to emerging technological trends, our market share and results of operations could suffer. We must make long-term investments, develop, acquire or obtain appropriate intellectual property and commit significant resources before knowing whether our predictions will accurately reflect customer demand for our products and services. If we misjudge customer needs in the future, our new products and services may not succeed and our revenues and earnings may be harmed. Additionally, any delay in the development, acquisition, marketing or launch of a new offering or enhancement to an existing offering could result in customer attrition or impede our ability to attract new customers, causing a decline in our revenue, earnings or stock price and weakening our competitive position.

We offer our products on a variety of hardware platforms. Consumers continue to migrate from personal computers to tablet and mobile devices. If we cannot continue adapting our products to tablet and mobile devices, or if our competitors can adapt their products more quickly than us, our business could be harmed. Releasings of new devices or operating systems may make it more difficult for our products to perform or may require significant costs in order for us to adapt our solutions to such devices or operating systems. These potential costs and delays could harm our business.

Our competitive position and results of operations could be harmed if we do not compete effectively.

The markets for our products and services are characterized by intense competition, new industry standards, evolving distribution models, limited barriers to entry, disruptive technology developments, short product life cycles, customer price sensitivity and frequent product introductions (including alternatives with limited functionality available at lower costs or free of charge). Any of these factors could create downward pressure on pricing and gross margins and could adversely affect our renewal and upsell and cross-sell rates, as well as our ability to attract new customers. Our future success will depend on our continued ability to enhance and integrate our existing products and services, introduce new products and services in a timely and cost-effective manner, meet changing customer expectations and needs, extend our core technology into new applications, and anticipate emerging standards, business models, software delivery methods and other technological developments. Furthermore, some of our competitors and potential competitors enjoy competitive advantages such as greater financial, technical, sales, marketing and other resources, broader brand awareness, and access to larger customer bases. As a result of these advantages, potential and current customers might select the products and services of our competitors, causing a loss of our market share. In addition, consolidation has occurred among some of our competitors. Further consolidations in these markets may subject us to increased competitive pressures and may harm our results of operations.

For additional information regarding our competition and the risks arising out of the competitive environment in which we operate, see the section entitled “Competition” contained in Part I. Item 1 of our Annual Report on Form 10-K for the fiscal year ended December 1, 2017.

Introduction of new technology could harm our business and results of operations.

The expectations and needs of technology consumers are constantly evolving. Our future success depends on a variety of factors, including our continued ability to innovate, introduce new products and services efficiently, enhance and integrate our products and services in a timely and cost-effective manner, extend our core technology into new applications, and anticipate emerging standards, business models, software delivery methods and other technological developments. Integration of our products and services with one another and other companies’ offerings creates an increasingly complex ecosystem that is partly reliant on third parties. If any disruptive technology, or competing products, services or operating systems that are not compatible with our solutions, achieve widespread acceptance, our operating results could suffer and our business could be harmed.

The introduction of certain technologies may reduce the effectiveness of our products. For example, some of our products rely on third-party cookies, which are placed by disruptive technology developments, short product life cycles, customer price sensitivity and frequent product introductions (including alternatives with limited functionality available at lower costs or free of charge). Any of these factors could create downward pressure on pricing and gross margins and could adversely affect our renewal and upsell and cross-sell rates, as well as our ability to attract new customers. Our future success will depend on our continued ability to enhance and integrate our existing products and services, introduce new products and services in a timely and cost-effective manner, meet changing customer expectations and needs, extend our core technology into new applications, and anticipate emerging standards, business models, software delivery methods and other technological developments. Integration of our products and services with one another and other companies’ offerings creates an increasingly complex ecosystem that is partly reliant on third parties. If any disruptive technology, or competing products, services or operating systems that are not compatible with our solutions, achieve widespread acceptance, our operating results could suffer and our business could be harmed.

Some of our enterprise offerings have extended and complex sales cycles, which can make our sales cycles unpredictable.

Sales cycles for some of our enterprise offerings, including our Adobe Experience Cloud solutions and ETLAs in our Digital Media business, are multi-phased and complex. The complexity in these sales cycles is due to several factors, including:

- the need for our sales representatives to educate customers about the use and benefit of large-scale deployments of our products and services, including technical capabilities, security features, potential cost savings and return on investment;
- the desire of organizations to undertake significant evaluation processes to determine their technology requirements prior to making information technology expenditures;
- the need for our representatives to spend a significant amount of time assisting potential customers in their testing and evaluation of our products and services;
- intensifying competition within the industry;
- the negotiation of large, complex, enterprise-wide contracts;
- the need for our customers to obtain requisition approvals from various decision makers within their organizations due to the complexity of our solutions touching multiple departments within customers’ organizations; and

For additional information regarding our competition and the risks arising out of the competitive environment in which we operate, see the section entitled “Competition” contained in Part I. Item 1 of our Annual Report on Form 10-K for the fiscal year ended December 1, 2017.
customer budget constraints, economic conditions and unplanned administrative delays.

We spend substantial time and expense on our sales efforts without assurance that potential customers will ultimately purchase our solutions. As we target our sales efforts at larger enterprise customers, these trends are expected to continue and could have a greater impact on our results of operations. Additionally, our enterprise sales pattern has historically been uneven, where a higher percentage of a quarter’s total sales occur during the final weeks of each quarter, which is common in our industry. Our extended sales cycle for these products and services makes it difficult to predict when a given sales cycle will close.

**Subscription offerings could create risks related to the timing of revenue recognition.**

We generally recognize revenue from subscription offerings ratably over the terms of their subscription agreements, which range from 1 to 36 months. As a result, most of the subscription revenue we report in each quarter is the result of subscription agreements entered into during previous quarters. Any reduction in new or renewed subscriptions in a quarter may not be reflected in our revenue results until a later quarter. Declines in new or renewed subscriptions may decrease our revenue in future quarters. Lower sales, reduced demand for our products and services, and increases in our attrition rate may not be fully reflected in our results of operations until future periods. Our subscription model could also make it difficult for us to rapidly increase our revenue from subscription-based or hosted services through additional sales in any period, as revenue from new customers will be recognized over the applicable subscription term.

Additionally, in connection with our sales efforts to enterprise customers and our use of ETLAs, a number of factors could affect our revenue, including longer-than-expected sales and implementation cycles, potential deferral of revenue due to multiple-element revenue arrangements and alternative licensing arrangements. If any of our assumptions about revenue from our subscription-based offerings prove incorrect, our actual results may vary materially from those anticipated.

**If our customers fail to renew subscriptions in accordance with our expectations, our future revenue and operating results could suffer.**

Our Adobe Experience Cloud, Creative Cloud, and Document Cloud offerings typically involve subscription based offerings pursuant to product and service agreements. Revenue from our subscription customers is generally recognized ratably over the term of their agreements, which typically range from 1 to 36 months. Our customers have no obligation to renew their subscriptions for our services after the expiration of their initial subscription period, and customers may not renew their subscriptions at the same or higher level of service, for the same number of seats or for the same duration of time, if at all. Moreover, under certain circumstances, some of our customers have the right to cancel their agreements prior to the expiration of the terms. Our varied customer base combined with the flexibility we offer in the length of our subscription-based agreements complicates our ability to precisely forecast renewal rates. Therefore, we cannot provide assurance that we will be able to accurately predict future customer renewal rates.

Our customers’ renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our services, our ability to continue enhancing features and functionality, the reliability (including uptime) of our subscription offerings, the prices of offerings and those offered by our competitors, the actual or perceived information security of our systems and services, decreases in the size of our customer base, reductions in our customers’ spending levels or declines in customer activity as a result of economic downturns or uncertainty in financial markets. If our customers do not renew their subscriptions or if they renew on terms less favorable to us, our revenue may decline.

**Security breaches in data centers we manage, or third parties manage on our behalf, may compromise the confidentiality, integrity, or availability of employee and customer data, which could expose us to liability and adversely affect our reputation and business.**

We process and store significant amounts of employee and customer data, most of which is hosted by third-party service providers. A security incident impacting our own data centers or those controlled by our service providers may compromise the confidentiality, integrity or availability of this data. Unauthorized access to or loss or disclosure of data stored by Adobe or our service providers may occur through break-ins, breaches of a secure network by an unauthorized party, software vulnerabilities or coding errors, employee theft or misuse or other misconduct. It is also possible that unauthorized access to or disclosure of customer data may be obtained through inadequate use of security controls by customers or employees. Accounts created with weak or recycled passwords could allow cyber-attackers to gain access to customer data. Additionally, failure by customers to remove accounts of their own employees, or the granting of accounts by the customer in an uncontrolled manner, may allow for access by former or unauthorized customer representatives. If there were an inadvertent disclosure of customer data, or if a third party were to gain unauthorized access to the data we possess on behalf of our customers, our operations could be disrupted, our reputation could be damaged and we could be subject to claims or other liabilities, regulatory investigations, or fines. In addition, such perceived or actual unauthorized loss or disclosure of the information we collect or breach of our security could damage our reputation, result in the loss of customers and harm our business.

**We rely on data centers managed both by Adobe and third parties to host and deliver our services, as well as access, collect, use, transmit, and store data, and any interruptions or delays in these hosted services, or failures in data collection or transmission could expose us to liability and harm our business and reputation.**

Much of our business relies on hardware and services that are hosted, managed, and controlled directly by Adobe or third-party service providers, including our online store at adobe.com, Creative Cloud, Document Cloud, and Experience Cloud solutions. We do not have redundancy for all of our systems, many of our critical applications reside in only one of our data centers, and our disaster recovery planning may not account for all eventualities. If our business relationship with a third-party provider of hosting or content delivery services is negatively affected, or if one of our content delivery suppliers were to terminate its agreement with us, without adequate notice, we might not be able to deliver the corresponding hosted offerings to our customers, which could subject us to reputational harm, costly and time intensive notification requirements, and cause us to lose customers and future business. Occasionally, we migrate data among data centers and to third-party hosted environments. If a transition among data centers or to third-party service providers encounters unexpected interruptions, unforeseen complexity, or unplanned disruptions despite precautions undertaken during the process, this may impair our delivery of products and services to customers and result in increased costs and liabilities, which may harm our operating results and our business.
It is also possible that hardware or software failures or errors in our systems (or those of our third-party service providers) could result in data loss or corruption, cause the information that we collect or maintain to be incomplete or contain inaccuracies that our customers regard as significant, or cause us to fail to meet committed service levels or comply with regulatory notification requirements. Furthermore, our ability to collect and report data may be delayed or interrupted by a number of factors, including access to the Internet, the failure of our network or software systems, security breaches or significant variability in visitor traffic on customer websites. In addition, computer viruses, worms, or other malware may harm our systems, cause us to lose data, and the transmission of computer viruses or other malware could expose us to litigation or regulatory investigation, and costly and time intensive notification requirements.

We may also find, on occasion, that we cannot deliver data and reports to our customers in near real time because of a number of factors, including significant spikes in customer activity on their websites or failures of our network or software, or the failure of our third-party service providers’ network or software. If we fail to plan infrastructure capacity appropriately and expand it proportionally with the needs of our customer base, and we experience a rapid and significant demand on the capacity of our data centers or those of third parties, service outages could occur and our customers could suffer impaired performance of our services. Such a strain on our infrastructure capacity could subject us to regulatory notification requirements, violations of service level agreement commitments, financial liabilities, result in customer dissatisfaction, or harm our business. If we supply inaccurate information or experience interruptions in our ability to capture, store and supply information in near real time or at all, our reputation could be harmed and we could lose customers, or we could be found liable for damages or incur other losses.

**Increasing regulatory focus on privacy issues and expanding laws could impact our business models and expose us to increased liability.**

As a global company, Adobe is subject to global privacy and data security laws, regulations, and codes of conduct that apply to our various business units. These laws and regulations may be inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. Government regulators, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This increased scrutiny may result in new interpretations of existing laws, thereby further impacting Adobe’s business. Globally, new laws, such as the General Data Protection Regulation (“GDPR”) in Europe, and industry self-regulatory codes have been enacted and more are being considered. While we have invested in GDPR readiness, these new laws, regulations and codes may affect our ability (and our enterprise customers’ ability) to reach current and prospective customers, to respond to both enterprise and individual customer requests under the laws (such as individual rights of access, correction, and deletion of their personal information), and to implement our business models effectively. These new laws may also impact our innovation and business drivers in developing new and emerging technologies (e.g., artificial intelligence and machine learning). These requirements, among others, may impact demand for our offerings and force us to bear the burden of more onerous obligations in our contracts. Any perception of our practices, products or services as a violation of individual privacy rights may subject us to public criticism, class action lawsuits, reputational harm, or investigations or claims by regulators, industry groups or other third parties, all of which could disrupt our business and expose us to increased liability. Additionally, we collect and store information on behalf of our business customers and if our customers fail to comply with contractual obligations or applicable laws, it could result in litigation or reputational harm to us.

Transferring personal information across international borders is becoming increasingly complex. For example, European data transfers outside the European Economic Area are highly regulated. The mechanisms that we and many other companies rely upon for European data transfers (e.g., Privacy Shield and Model Clauses) are being contested in the European court system. We are closely monitoring developments related to requirements for transferring personal data outside the EU. These requirements may result in an increase in the obligations required to provide our services in the EU or in sanctions and fines for non-compliance. Several other countries, including Australia and Japan, have also established specific legal requirements for cross-border transfers of personal information. Other countries, such as India, are considering requirements for data localization (e.g. where personal data must remain in the country). If the mechanisms for transferring personal information from Europe to the United States should be found invalid or if other countries implement more restrictive regulations for cross-border data transfers (or not permit data to leave the country of origin), such developments could harm our business, financial condition and results of operations.

**Security vulnerabilities in our products and systems could lead to reduced revenue or to liability claims.**

Maintaining the security of our products, computers and networks is a critical issue for us and our customers. Security researchers, criminal hackers and other third parties regularly develop new techniques to penetrate computer and network security measures and, as we have previously disclosed, certain parties have in the past managed to breach and misuse some of our systems and software in order to access our end users’ authentication and payment information. In addition, cyber-attackers also develop and deploy viruses, worms, credential stuffing attack tools, and other malicious software programs, some of which may be specifically designed to attack our products, systems, computers or networks. Sophisticated hardware and operating system applications that we develop or procure from third parties may contain defects in design or manufacture, including bugs, vulnerabilities and other problems that could unexpectedly compromise the security of the system or impair a customer’s ability to operate or use our products. The costs to prevent, eliminate, notify affected parties of, or alleviate cyber- or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities are significant, and our efforts to address these problems may not be successful or may be delayed and could result in interruptions, delays, cessation of service and loss of existing or potential customers. It is impossible to predict the extent, frequency or impact these problems may have on us.

Outside parties have in the past and may in the future attempt to fraudulently induce our employees or users of our products or services to disclose sensitive information via illegal electronic spamming, phishing or other tactics. Unauthorized parties may also attempt to gain physical access to our facilities in order to infiltrate our information systems or attempt to gain logical access to our products, services, or information systems for the purpose of exfiltrating content and data. These actual and potential breaches of our security measures and the accidental loss, inadvertent disclosure or unauthorized dissemination of proprietary information or sensitive, personal or confidential data about us, our employees, our customers or their end users, including the potential loss or disclosure of such information or data as a result of hacking, fraud, trickery or other forms of deception, could expose us, our employees, our customers or the individuals affected to a risk of loss or misuse of this information. This may result in litigation and liability or fines, our compliance with costly and time intensive notice requirements, governmental inquiry or oversight or a
loss of customer confidence, any of which could harm our business or damage our brand and reputation, possibly impeding our present and future success in retaining and attracting new customers and thereby requiring time and resources to repair our brand and reputation. These risks will likely increase as we expand our hosted offerings, integrate our products and services, and store and process more data, including personal information.

These problems affect our products and services in particular because cyber-attackers tend to focus their efforts on popular offerings with a large user base, and we expect them to continue to do so. Critical vulnerabilities may be identified in some of our applications and the services of our third-party service providers. These vulnerabilities could cause such applications and services to crash and could allow an attacker to take control of the affected system, which could result in liability to us or limit our ability to conduct our business and deliver our products and services to customers. We devote significant resources to address security vulnerabilities through engineering more secure products, enhancing security and reliability features in our products and systems, code hardening, conducting rigorous penetration tests, deploying updates to address security vulnerabilities, reviewing our service providers’ security controls, and improving our incident response time, but these security vulnerabilities cannot be totally eliminated. The cost of these steps could reduce our operating margins, and we may be unable to implement these measures quickly enough to prevent cyber-attackers from gaining unauthorized access into our systems and products. Despite our preventative efforts, actual or perceived security vulnerabilities in our products and systems may harm our reputation or lead to claims against us (and have in the past led to such claims), and could lead some customers to stop using certain products or services, to reduce or delay future purchases of products or services, or to use competing products or services. If we do not make the appropriate level of investment in our technology systems or if our systems become out-of-date or obsolete and we are not able to deliver the quality of data security customers require, our business could be adversely affected. Customers may also adopt security measures designed to protect their existing computer systems from attack, which could delay adoption of new technologies. Further, if we or our customers are subject to a future attack, or our technology is used in a third-party attack, we could be subject to costly and time intensive notice requirements, and it may be necessary for us to take additional extraordinary measures and make additional expenditures to take appropriate responsive and preventative steps. Any of these events could adversely affect our revenue or margins. Moreover, delayed sales, lower margins or lost customers resulting from disruptions caused by cyber-attacks or preventative measures could adversely affect our financial results, stock price and reputation.

**We may not realize the anticipated benefits of past or future investments or acquisitions, and integration of acquisitions may disrupt our business and management.**

We may not realize the anticipated benefits of an investment or acquisition of a company, division, product or technology, each of which involves numerous risks. These risks include:

- inability to achieve the financial and strategic goals for the acquired and combined businesses;
- difficulty in, and the cost of, effectively integrating the operations, technologies, products or services, and personnel of the acquired business;
- entry into markets in which we have minimal prior experience and where competitors in such markets have stronger market positions;
- disruption of our ongoing business and distraction of our management and other employees from other opportunities and challenges;
- inability to retain personnel of the acquired business;
- inability to retain key customers, distributors, vendors and other business partners of the acquired business;
- inability to take advantage of anticipated tax benefits;
- incurring acquisition-related costs or amortization costs for acquired intangible assets that could impact our operating results;
- elevated delinquency or bad debt write-offs related to receivables of the acquired business we assume;
- increased accounts receivables collection times and working capital requirements associated with acquired business models;
- additional costs of bringing acquired companies into compliance with laws and regulations applicable to a multinational corporation;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- impairment of our relationships with employees, customers, partners, distributors or third-party providers of our technologies, products or services;
- failure of our due diligence processes to identify significant problems, liabilities or other challenges of an acquired company or technology;
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition, such as claims from terminated employees, customers, former stockholders or other third parties;
- incurring significant exit charges if products or services acquired in business combinations are unsuccessful;
- inability to conclude that our internal controls over financial reporting are effective;
- inability to obtain, or obtain in a timely manner, approvals from governmental authorities, which could delay or prevent such acquisitions;
- the failure of strategic investments to perform as expected or to meet financial projections;
- delay in customer and distributor purchasing decisions due to uncertainty about the direction of our product and service offerings; and
- incompatibility of business cultures.

Mergers and acquisitions of technology companies are inherently risky. If we do not complete an announced acquisition transaction or integrate an acquired business successfully and in a timely manner, we may not realize the benefits of the acquisition to the extent anticipated, and in certain circumstances an acquisition could harm our financial position.

**Changes in accounting principles, or interpretations thereof, could have a significant impact on our financial position and results of operations.**

We prepare our condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”). These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. A change in these principles, how the principles are interpreted, or the adoption of new accounting principles can have a significant effect on our reported results, and could even retroactively affect previously reported transactions, and may require that we make significant changes to our systems, processes and controls.
Changes resulting from these new standards may result in materially different financial results and may require that we change how we process, analyze and report financial information and that we change financial reporting controls. For additional information regarding these updated standards, see the section titled “Recent Accounting Pronouncements Not Yet Effective” within Part II, Item 8, Note 1. Basis of Presentation and Summary of Significant Accounting Policies.

Such changes in accounting principles may have an adverse effect on our business, financial position, and income, or cause an adverse deviation from our revenue and profitability targets, which may negatively impact our financial results.

Changes in tax rules and regulations, or interpretations thereof, may adversely affect our effective tax rates.

We are a United States-based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. The Tax Act, enacted into law on December 22, 2017, changes existing U.S. tax law applicable to us and includes adoption of a territorial tax system requiring us to incur a transition tax on previously untaxed earnings and profits of our foreign subsidiaries. A significant portion of our foreign earnings for the current fiscal year were earned by our Irish subsidiaries. As part of the adoption of a territorial tax system, the Tax Act also provides an exemption from federal income taxes for distributions from foreign subsidiaries made after December 31, 2017 that were not subject to the one-time transition tax. In addition, certain international provisions introduced in the Tax Act will be effective for us in fiscal 2019. These provisions and changes that we may make to our corporate tax structure could adversely affect our tax rate and cash flow in future years.

Our income tax expense has differed from the tax computed at the U.S. federal statutory income tax rate due primarily to discrete items and to tax on earnings from foreign operations. Unanticipated changes in our tax rates could affect our future results of operations. Our future effective tax rates could be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, by changes in or our interpretation of tax rules and regulations in the jurisdictions in which we do business, by unanticipated decreases in the amount of earnings in countries with low statutory tax rates, by unexpected negative changes in business and market conditions that could reduce certain tax benefits, or by changes in the valuation of our deferred tax assets and liabilities.

In addition, in the United States, the European Commission, countries in the European Union and other countries where we do business, we are subject to potential changes in relevant tax, accounting and other laws, regulations and interpretations, including changes to tax laws applicable to corporate multinationals such as Adobe. These countries and other governmental bodies have or could make unprecedented assertions about how taxation is determined in their jurisdictions that are contrary to the way in which we have interpreted and historically applied the rules and regulations described above in our income tax returns filed in such jurisdictions. In the current global tax policy environment, any changes in laws, regulations and interpretations related to these assertions could adversely affect our effective tax rates or result in other costs to us which could adversely affect our operations and financial results.

Moreover, we are subject to the continual examination of our income tax returns by the U.S. Internal Revenue Service (“IRS”) and other domestic and foreign tax authorities. These tax examinations are expected to focus on our intercompany transfer pricing practices as well as other matters. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for adjustments that may result from these examinations. We cannot provide assurance that the final determination of any of these examinations will not have an adverse effect on our operating results and financial position.

The success of some of our product and service offerings depends on our ability to continue to attract and retain customers of and contributors to our online marketplaces for creative content.

The success of some of our product and service offerings, such as Adobe Stock, depends on our ability to continue to attract new customers and contributors to these online marketplaces for creative content, as well as our ability to continue to retain existing customers and contributors. An increase in paying customers has generally resulted in more content from contributors, which increases the size of our collection and in turn attracts new paying customers. We rely on the functionality and features of our online marketplaces, the size and content of our collection and the effectiveness of our marketing efforts to attract new customers and contributors and retain existing ones. New technologies may render the features of our online marketplaces obsolete, our collection may fail to grow as anticipated or our marketing efforts may be unsuccessful, any of which may adversely affect our results of operations.

We face various risks associated with our operating as a multinational corporation.

As a global business that generates approximately 43% of our total revenue from sales to customers outside of the Americas, we are subject to a number of risks, including:

- foreign currency fluctuations and controls;
- international and regional economic, political and labor conditions, including any instability or security concerns abroad;
- tax laws (including U.S. taxes on foreign subsidiaries);
- increased financial accounting and reporting burdens and complexities;
- changes in, or impositions of, legislative or regulatory requirements;
- changes in laws governing the free flow of data across international borders;
- failure of laws to protect our intellectual property rights adequately;
- inadequate local infrastructure and difficulties in managing and staffing international operations;
- delays resulting from difficulty in obtaining export licenses for certain technology, tariffs, quotas and other trade barriers;
- the imposition of governmental economic sanctions on countries in which we do business or where we plan to expand our business;
- costs and delays associated with developing products in multiple languages;
- operating in locations with a higher incidence of corruption and fraudulent business practices; and
- other factors beyond our control, such as terrorism, war, natural disasters and pandemics.
Some of our third-party business partners have international operations and are also subject to these risks and if our third-party business partners are unable to appropriately manage these risks, our business may be harmed. If sales to any of our customers outside of the Americas are reduced, delayed or canceled because of any of the above factors, our revenue may decline.

We are subject to risks associated with compliance with laws and regulations globally, which may harm our business.

We are a global company subject to varied and complex laws, regulations and customs, both domestically and internationally. These laws and regulations relate to a number of aspects of our business, including trade protection, import and export control, data and transaction processing security, payment card industry data security standards, records management, user-generated content hosted on websites we operate, privacy practices, data residency, corporate governance, anti-trust and competition, employee and third-party complaints, anti-corruption, gift policies, conflicts of interest, securities regulations and other regulatory requirements affecting trade and investment. The application of these laws and regulations to our business is often unclear and may at times conflict. For example, in many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by U.S. regulations applicable to us, including the Foreign Corrupt Practices Act. We cannot provide assurance that our employees, contractors, agents, and business partners will not take actions in violation of our internal policies or U.S. laws. Compliance with these laws and regulations may involve significant costs or require changes in our business practices that result in reduced revenue and profitability. Non-compliance could also result in fines, damages, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation.

In addition, approximately 50% of our employees are located outside the United States. Accordingly, we are exposed to changes in laws governing our employee relationships in various U.S. and foreign jurisdictions, including laws and regulations regarding wage and hour requirements, fair labor standards, employee data privacy, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll and other taxes, which likely would have a direct impact on our operating costs. Uncertainty about current and future economic conditions and other adverse changes in general political conditions in any of the major countries in which we do business could adversely affect our operating results.

As our business has grown, we have become increasingly subject to the risks arising from adverse changes in economic and political conditions, both domestically and globally. Uncertainty about the effects of current and future economic and political conditions on us, our customers, suppliers and partners makes it difficult for us to forecast operating results and to make decisions about future investments. If economic growth in countries where we do business slows, customers may delay or reduce technology purchases, advertising spending or marketing spending. This could result in reductions in sales of our products and services, more extended sales cycles, slower adoption of new technologies and increased price competition. Among our customers are government entities, including the U.S. federal government, and our revenue could decline if spending cuts impact the government's ability to purchase our products and services. Deterioration in economic conditions in any of the countries in which we do business could also cause slower or impaired collections on accounts receivable, which may adversely impact our liquidity and financial condition.

A disruption in financial markets could impair our banking partners, on which we rely for operating cash management and affect our derivative counterparties. Any of these events would likely harm our business, financial condition, and results of operations. Political instability or adverse political developments in or around any of the major countries in which we do business would also likely harm our business, results of operations and financial condition.

Our intellectual property portfolio is a valuable asset and we may not be able to protect our intellectual property rights, including our source code, from infringement or unauthorized copying, use or disclosure.

Our intellectual property portfolio is a valuable asset. Infringement or misappropriation of our patents, trademarks, trade secrets, copyrights and other intellectual property rights could result in lost revenues and ultimately reduce their value. Preventing unauthorized use or infringement of our intellectual property rights is inherently difficult. We actively combat software piracy as we enforce our intellectual property rights, but we nonetheless lose significant revenue due to illegal use of our software. If piracy activities continue at historical levels or increase, they may further harm our business. We apply for patents in the U.S. and internationally to protect our newly created technology and if we are unable to obtain patent protection for the technology described in our pending patent, or if the patent is not obtained timely, this could result in revenue loss, adverse effects on operations, and harm to our business. We offer our products and services in foreign countries and we may seek intellectual property protection from those foreign legal systems. Some of those foreign countries may not have as robust or comprehensive of intellectual property protection laws and schemes as those offered in the U.S. In some foreign countries, the mechanisms to enforce intellectual property rights may be inadequate to protect our technology, which could harm our business. If unauthorized disclosure of our source code occurs through security breach, cyber-attack or otherwise, we could lose future trade secret protection for that source code. The loss of future trade secret protection could make it easier for third parties to compete with our products by copying functionality, which could cause us to lose customers and could adversely affect our revenue and operating margins. We also seek to protect our confidential information and trade secrets through the use of non-disclosure agreements with our customers, contractors, vendors and partners. However, there is a risk that our confidential information and trade secrets may be disclosed or published without our authorization, and in these situations, enforcing our rights may be difficult or costly.

We may incur substantial costs defending against third parties alleging that we infringe their proprietary rights.

We have been, are currently, and may in the future be, subject to claims, negotiations and complex, protracted litigation relating to disputes regarding the validity or alleged infringement of third-party intellectual property rights, including patent rights. Intellectual property disputes and litigation are typically costly and can be disruptive to our business operations by diverting the attention of management and key personnel. We may not prevail in every lawsuit or dispute. Third-party
intellectual property disputes, including those initiated by patent assertion entities, could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from licensing certain of our products or offering certain of our services, subject us to injunctions restricting our sale of products or services, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments with our customers, including contractual provisions under various license arrangements and service agreements. In addition, we may incur significant costs in acquiring the necessary third-party intellectual property rights for use in our products, in some cases to fulfill contractual obligations with our customers. Any of these occurrences could significantly harm our business.

We may incur losses associated with currency fluctuations and may not be able to effectively hedge our exposure.

Our operating results are subject to fluctuations in foreign currency exchange rates due to the global scope of our business. We attempt to mitigate a portion of these risks through foreign currency hedging based on our judgment of the appropriate trade-offs among risk, opportunity and expense. We regularly review our program to partially hedge our exposure to foreign currency fluctuations and make adjustments as necessary. Our hedging activities may not offset more than a portion of the adverse financial impact resulting from unfavorable movement in foreign currency exchange rates, which could adversely affect our financial condition or results of operations.

Failure of our third-party customer service and technical support providers to adequately address customers' requests could harm our business and adversely affect our financial results.

Our customers rely on our customer service support organization to resolve issues with our products and services. We outsource a substantial portion of our customer service and technical support activities to third-party service providers. We depend heavily on these third-party customer service and technical support representatives working on our behalf, and we expect to continue to rely heavily on third parties in the future. This strategy presents risks to our business due to the fact that we may not be able to influence the quality of support as directly as we would be able to do if our own employees performed these activities. Our customers may react negatively to providing information to, and receiving support from, third-party organizations, especially if these third-party organizations are based overseas. If we encounter problems with our third-party customer service and technical support providers, our reputation may be harmed, our ability to sell our offerings could be adversely affected, and we could lose customers and associated revenue.

Failure to manage our sales and distribution channels effectively could result in a loss of revenue and harm to our business.

We contract with a number of software distributors and other strategic partners, none of which is individually responsible for a material amount of our total net revenue for any recent period. Nonetheless, if any single agreement with one of our distributors were terminated, any prolonged delay in securing a replacement distributor could have a negative impact on our results of operations.

Successfully managing our indirect distribution channel efforts to reach various customer segments for our products and services is a complex process across the broad range of geographies where we do business or plan to do business. Our distributors and other channel partners are independent businesses that we do not control. Notwithstanding the independence of our channel partners, we face legal risk and potential reputational harm from the activities of these third parties including, but not limited to, export control violations, workplace conditions, corruption and anti-competitive behavior.

We cannot be certain that our distribution channel will continue to market or sell our products and services effectively. If our distribution channel is not successful, we may lose sales opportunities, customers and revenue. Our distributors also sell our competitors’ products and services, and if they favor our competitors’ products or services for any reason, they may fail to market our products or services effectively or to devote resources necessary to provide effective sales, which would cause our results to suffer. We also distribute some products and services through our OEM channel, and if our OEMs decide not to bundle our applications on their devices, our results could suffer. In addition, the financial health of our distributors and our continuing relationships with them are important to our success. Some of these distributors may be unable to withstand adverse changes in economic conditions, which could result in insolvency, the inability of such distributors to obtain credit to finance purchases of our products and services, or a delay in paying their obligations to us.

We also sell some of our products and services through our direct sales force. Risks associated with this sales channel include more extended sales and collection cycles associated with direct sales efforts, challenges related to hiring, retaining and motivating our direct sales force, and substantial amounts of ongoing training for sales representatives. Moreover, recent hires may not become as productive as we would like, as in most cases it takes a significant period of time before they achieve full productivity. Our business could be seriously harmed if our expansion efforts do not generate a corresponding significant increase in revenue and we are unable to achieve the efficiencies we anticipate. In addition, the loss of key sales employees could impact our customer relationships and future ability to sell to certain accounts covered by such employees.

Contracting with government entities exposes us to additional risks inherent in the government procurement process.

We provide products and services, directly and indirectly, to a variety of government entities, both domestically and internationally. Risks associated with licensing and selling products and services to government entities include more extended sales and collection cycles, varying governmental budgeting processes and adherence to complex procurement regulations and other government-specific contractual requirements. We may be subject to audits and investigations relating to our government contracts and any violations could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, payment of fines, and suspension or debarment from future government business, as well as harm to our reputation and financial results.
Revenue, margin or earnings shortfalls or the volatility of the market generally may cause the market price of our stock to decline.

In the past, the market price for our common stock experienced significant fluctuations and it may do so in the future. A number of factors may affect the market price for our common stock, such as:

- shortfalls in, or changes in expectations about our revenue, margins, earnings, Annualized Recurring Revenue ("ARR"), sales of our Adobe Experience Cloud offerings, or other key performance metrics;
- changes in estimates or recommendations by securities analysts;
- whether our results meet analysts' expectations;
- compression or expansion of multiples used by investors and analysts to value high technology SaaS companies;
- the announcement of new products or services, product enhancements, service introductions, strategic alliances or significant agreements by us or our competitors;
- the loss of large customers or our inability to increase sales to existing customers, retain customers or attract new customers;
- recruitment or departure of key personnel;
- variations in our or our competitors’ results of operations, changes in the competitive landscape generally and developments in our industry;
- general socio-economic, political or market conditions; and
- unusual events such as significant acquisitions by us or our competitors, divestitures, litigation, regulatory actions and other factors, including factors unrelated to our operating performance.

In addition, the market for technology stocks or the stock market in general may experience uneven investor confidence, which may cause the market price for our common stock to decline for reasons unrelated to our operating performance. Volatility in the market price of a company's securities for a period of time may increase the company's susceptibility to securities class action litigation. Oftentimes, this type of litigation is expensive and diverts management's attention and resources which may adversely affect our business.

If we are unable to recruit and retain key personnel, our business may be harmed.

Much of our future success depends on the continued service, availability and performance of our senior management. These individuals have acquired specialized knowledge and skills with respect to Adobe. The loss of any of these individuals could harm our business, especially if we have not been successful in developing adequate succession plans. Our business is also dependent on our ability to retain, hire and motivate talented, highly skilled personnel across all levels of our organization. Experienced personnel in the information technology industry are in high demand and competition for their talents is intense in many areas where our employees are located. We may experience higher compensation costs to retain senior management and experienced personnel that may not be offset by improved productivity or increased sales. If we are unable to continue to successfully attract and retain key personnel, our business may be harmed.

We continue to hire personnel in countries where exceptional technical knowledge and other expertise are offered at lower costs, which increases the efficiency of our global workforce structure and reduces our personnel related expenditures. Nonetheless, as globalization continues, competition for these employees in these countries has increased, which may impact our ability to retain these employees and increase our expenses resulting from competitive compensation. We may continue to expand our international operations and international sales and marketing activities, which would require significant management attention and resources. We may be unable to scale our infrastructure effectively or as quickly as our competitors in these markets, and our revenue may not increase to offset these expected increases in costs and operating expenses, causing our results to suffer.

We believe that a critical contributor to our success to date has been our corporate culture, which we have built to foster innovation, teamwork and employee satisfaction. As we grow, including from the integration of employees and businesses acquired in connection with previous or future acquisitions, we may find it difficult to maintain important aspects of our corporate culture, which could negatively affect our ability to retain and recruit personnel who are essential to our future success.

If our goodwill or amortizable intangible assets become impaired, then we could be required to record a significant charge to earnings.

GAAP requires us to test goodwill impairment at least annually. In addition, we review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances including that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include declines in stock price, market capitalization or cash flows, and slower growth rates in our industry. Depending on the results of our review, we could be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets were determined, negatively impacting our results of operations.

We have issued $1.9 billion of notes in debt offerings and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

We have issued $1.9 billion in senior unsecured notes outstanding. We also have a $1 billion senior unsecured revolving credit agreement, which is currently undrawn. This debt may adversely affect our financial condition and future financial results by, among other things:

- increasing our vulnerability to adverse changes in general economic and industry conditions;
- requiring the dedication of a portion of our expected cash flow from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry.
Our senior unsecured notes and senior unsecured revolving credit agreement impose restrictions on us and require us to maintain compliance with specified covenants. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the lenders or noteholders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable.

In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities, as well as the potential costs associated with a refinancing of our debt. Under certain circumstances, if our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our revolving credit facility could increase. Downgrades in our credit ratings could also affect the terms of any such financing and restrict our ability to obtain additional financing in the future.

**Catastrophic events may disrupt our business.**

We are a highly automated business and rely on our network infrastructure and enterprise applications, internal technology systems and website for our development, marketing, operations, support, hosted services and sales activities. In addition, some of our businesses rely on third-party hosted services, and we do not control the operation of third-party data center facilities serving our customers from around the world, which increases our vulnerability. A disruption, infiltration or failure of these systems or third-party hosted services in the event of a major earthquake, fire, flood, tsunami or other weather event, power loss, telecommunications failure, software or hardware malfunctions, pandemics, cyber-attack, war, terrorist attack or other catastrophic event that our disaster recovery plans do not adequately address, could cause system interruptions, reputational harm, loss of intellectual property, delays in our product development, lengthy interruptions in our services, breaches of data security and loss of critical data. Any of these events could prevent us from fulfilling our customers’ orders or could negatively impact a country or region in which we sell our products, which could in turn decrease that country’s or region’s demand for our products. Our corporate headquarters, a significant portion of our research and development activities, certain of our data centers and certain other critical business operations are located in the San Francisco Bay Area, and additional facilities where we conduct significant operations are located in the Salt Lake Valley Area, both of which are near major earthquake faults. A catastrophic event that results in the destruction or disruption of any of our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be adversely affected.

**Climate change may have a long-term impact on our business.**

While we seek to partner with organizations that mitigate their business risks associated with climate change, we recognize that there are inherent risks wherever business is conducted. Access to clean water and reliable energy in the communities where we conduct our business, whether for our offices or for our vendors, is a priority. Our major sites in California, Utah and India are vulnerable to prolonged droughts due to climate change. In the event of a natural disaster that disrupts business due to limited access to these resources, we have the potential to experience losses to our business, and added costs to resume operations.

**Our investment portfolio may become impaired by deterioration of the financial markets.**

Our cash equivalent and short-term investment portfolio as of August 31, 2018 consisted of corporate debt securities, foreign government securities and U.S. Treasury securities, money market mutual funds, municipal securities, time deposits and asset-backed securities. We follow an established investment policy and set of guidelines to monitor and help mitigate our exposure to interest rate and credit risk. The policy sets forth credit quality standards and limits our exposure to any one issuer, as well as our maximum exposure to various asset classes.

Should financial market conditions worsen in the future, investments in some financial instruments may pose risks arising from market liquidity and credit concerns. In addition, any deterioration of the capital markets could cause our other income and expense to vary from expectations. As of August 31, 2018, we had no material impairment charges associated with our short-term investment portfolio, and although we believe our current investment portfolio has little risk of material impairment, we cannot predict future market conditions, market liquidity or credit availability, and can provide no assurance that our investment portfolio will remain materially unimpaired.