



Adobe Systems Incorporated  
345 Park Avenue  
San Jose, California 95110-2704, U.S.A.

The Adobe Systems Incorporated 1997 Employee Stock Purchase Plan, as amended (the "ESPP")

Prospectus for the employees of certain European Economic Area ("EEA") subsidiaries  
of Adobe Systems Incorporated, subject to the applicable legislation in each country



Pursuant to articles L. 412-1 and L. 621-8 of the *Code monétaire et financier* and its General Regulation, in particular articles 211-1 to 216-1 thereof, the *Autorité des marchés financiers* ("AMF") has attached visa number 18-181 dated May 17, 2018, onto this prospectus. This prospectus was established by the issuer and incurs the responsibility of its signatories. The visa, pursuant to the provisions of Article L. 621-8-1-I of the *Code monétaire et financier*, was granted after the AMF verified that the document is complete and comprehensible, and that the information it contains is consistent. The visa represents neither the approval of the worthiness of the operation nor the authentication of the financial and accounting information presented.

This prospectus will be made available in printed form to employees of the EEA subsidiaries of Adobe Systems Incorporated based in countries in which the offering under the ESPP is considered a public offering at the respective head offices of their employers. In addition, this prospectus along with summary translations (as applicable) will be posted on Adobe Systems Incorporated's intranet and free copies will be available to the employees upon request by contacting the human resources departments of their employers. This prospectus and the French translation of its summary will also be available on the website of the AMF, [www.amf-france.org](http://www.amf-france.org).

## NOTE TO THE PROSPECTUS

This prospectus, which contains material information concerning Adobe Systems Incorporated, was established pursuant to articles 211-1 to 216-1 of the AMF General Regulation. Pursuant to Article 25 of Commission Regulation (EC) No 809/2004 of 29 April 2004 as amended (the "Prospectus Regulation"), this prospectus is composed of the following parts in the following order:

- (1) a table of contents,
- (2) the summary provided for in Article 5(2) of Directive 2003/71/EC of the European Parliament and of the European Council of 4 November 2003, as amended (the "Prospectus Directive") (Part I constitutes the prospectus summary),
- (3) the risk factors linked to the issuer and the type of security covered by the issue, and
- (4) excerpts from Annexes I and III of the Prospectus Regulation which, by application of Articles 3, 4, and 6 of the Prospectus Regulation and question 71 of the European Securities and Markets Authority ("ESMA") Q&A, <sup>1</sup> are required for this offering of equity securities to employees of Adobe Systems Incorporated and its affiliates.

This prospectus also contains supplemental information concerning the ESPP (Part II - Section B) as well as the following document (Exhibit):

- The Adobe Systems Incorporated 1997 Employee Stock Purchase Plan, as amended.

When used in this prospectus, the terms "we," "us" or "our" mean Adobe Systems Incorporated and its subsidiaries and affiliates.

All references to "\$" in this prospectus refer to U.S. dollars.

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<sup>1</sup> Questions and Answers, Prospectuses: 28th updated version – March 2018 (28 March 2018| ESMA-31-62-780).

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**COMPANY REPRESENTATIVE FOR PROSPECTUS**

- 1.1** John F. Murphy, Executive Vice President and Chief Financial Officer, acting for and on behalf of Adobe Systems Incorporated.
- 1.2** To my knowledge, after having taken all reasonable measures for this purpose, the information contained in this prospectus fairly reflects the current situation and no material omission has been made.
- 1.3** Adobe Systems Incorporated has obtained a letter from its independent registered public accounting firm in relation to this prospectus. The independent registered public accounting firm has, in accordance with the professional standards and interpretations applicable to it under the standards of the Public Company Accounting Oversight Board (United States) pursuant to AS 2710, *Other Information in Documents Containing Audited Financial Statements*, read the information pertaining to the financial condition and selected financial information pertaining to the consolidated financial statements for each of the years in the three-year period ended December 1, 2017 and the condensed consolidated financial statements for the three months ended March 2, 2018 and March 3, 2017 of Adobe Systems Incorporated contained in this prospectus and read the prospectus.

/s/ John F. Murphy \_\_\_\_\_  
John F. Murphy  
Executive Vice President and Chief Financial Officer  
of Adobe Systems Incorporated

San Jose, California, U.S.A., May 16, 2018

## PART I — PROSPECTUS SUMMARY

## VISA NUMBER 18-181 DATED MAY 17, 2018 OF THE AMF

Summaries are made up of disclosure requirements known as "Elements." These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable."

## SECTION A — INTRODUCTION AND WARNINGS

<b>A.1</b>	<b>Warning to the reader</b>	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
<b>A.2</b>	<b>Consent to use of the prospectus</b>	Not applicable. There is no subsequent resale or final placement of securities by financial intermediaries.

## SECTION B — ISSUER

<b>B.1</b>	<b>Legal and commercial name of the issuer</b>	Adobe Systems Incorporated ("Adobe" or the "Company").
<b>B.2</b>	<b>Domicile and legal form of Adobe, the legislation under which it operates and its country of incorporation</b>	Adobe's principal offices are located at 345 Park Avenue, San Jose, California 95110, U.S.A. The Company is a corporation incorporated under the laws of the State of Delaware, U.S.A.

<p><b>B.3</b></p>	<p><b>Description of the nature of Adobe's current operations and its principal activities</b></p>	<p>Founded in 1982, Adobe is one of the largest and most diversified software companies in the world. Adobe offers a line of products and services used by creative professionals, marketers, knowledge workers, application developers, enterprises and consumers for creating, managing, delivering, measuring, optimizing and engaging with compelling content and experiences across personal computers, devices and media. Adobe markets its products and services directly to enterprise customers through its sales force and certain local field offices. Adobe licenses its products to end users through app stores and its own website at <a href="http://www.adobe.com">www.adobe.com</a>. Adobe offers many of its products via a Software-as-a-Service ("SaaS") model or a managed services model (both of which are referred to as hosted or cloud-based) as well as through term subscription and pay-per-use models. Adobe also distributes certain products and services through a network of distributors, value-added resellers, systems integrators, independent software vendors, retailers, software developers and original equipment manufacturers ("OEMs"). In addition, Adobe licenses its technology to hardware manufacturers, software developers and service providers for use in their products and solutions. Adobe's products run on personal and server-based computers, as well as on smartphones, tablets and other devices, depending on the product. Adobe has operations in the Americas, Europe, Middle East and Africa and Asia-Pacific.</p> <p>Adobe has the following reportable segments:</p> <ul style="list-style-type: none"> <li>• <i>Digital Media</i> — Adobe's Digital Media segment provides tools and solutions that enable individuals, small and medium businesses and enterprises to create, publish, promote and monetize their digital content anywhere. Adobe's customers include traditional content creators, web application developers and digital media professionals, as well as their management in marketing departments and agencies, companies and publishers. Its customers also include knowledge workers who create, collaborate and distribute documents.</li> <li>• <i>Digital Experience</i> (formerly Digital Marketing) — Adobe's Digital Experience segment provides solutions and services for how digital advertising and marketing are created, managed, executed, measured and optimized. Adobe's customers include digital marketers, advertisers, publishers, merchandisers, web analysts, chief marketing officers, chief information officers and chief revenue officers.</li> <li>• <i>Publishing</i> (formerly Print and Publishing) — Adobe's Publishing segment addresses market opportunities ranging from the diverse authoring and publishing needs of technical and business publishing to Adobe's legacy type and OEM printing businesses. It also includes its web conferencing and document and forms platforms effective the first quarter of fiscal 2018.</li> </ul> <p>Adobe's segment results for fiscal 2017, 2016 and 2015 were as follows (dollars in thousands):</p> <table border="1"> <thead> <tr> <th></th> <th>Digital Media</th> <th>Digital Marketing</th> <th>Print and Publishing</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td><b>Fiscal 2017</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Revenue</td> <td>\$ 5,010,579</td> <td>\$ 2,120,032</td> <td>\$ 170,894</td> <td>\$ 7,301,505</td> </tr> <tr> <td><b>Fiscal 2016</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Revenue</td> <td>\$ 3,941,011</td> <td>\$ 1,736,585</td> <td>\$ 176,834</td> <td>\$ 5,854,430</td> </tr> </tbody> </table>		Digital Media	Digital Marketing	Print and Publishing	Total	<b>Fiscal 2017</b>					Revenue	\$ 5,010,579	\$ 2,120,032	\$ 170,894	\$ 7,301,505	<b>Fiscal 2016</b>					Revenue	\$ 3,941,011	\$ 1,736,585	\$ 176,834	\$ 5,854,430
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		<b>Fiscal 2015</b>
		Revenue                   \$ 3,095,160   \$ 1,508,858   \$ 191,493   \$ 4,795,511
<b>B.4a</b>	<b>Recent trends</b>	<p><b>Financial Results</b></p> <p>On March 15, 2018, Adobe reported financial results for its first quarter of fiscal year 2018 ended March 2, 2018. In the first quarter of fiscal year 2018, Adobe achieved record quarterly revenue of \$2.08 billion. Adobe's diluted earnings per share were \$1.17 on an accounting principles generally accepted in the United States of America ("U.S. GAAP") basis and Adobe's cash flow from operations was a record \$990 million.</p> <p>On March 28, 2018, Adobe filed its Quarterly Report on Form 10-Q for the quarter ended March 2, 2018 ("Adobe's Form 10-Q") with the U.S. Securities and Exchange Commission (the "SEC").</p> <p><b>Stock Repurchase Program</b></p> <p>In January 2017, Adobe's Board of Directors (the "Board") approved a new stock repurchase program granting Adobe authority to repurchase up to \$2.5 billion in Adobe's shares of common stock, par value \$0.0001 per share ("Shares") through the end of fiscal 2019.</p> <p>During the three months ended March 2, 2018 and March 3, 2017, Adobe entered into several structured stock repurchase agreements with large financial institutions, whereupon the Company provided them with prepayments totaling \$300 million and \$200 million, respectively. Adobe enters into these agreements in order to take advantage of repurchasing shares at a guaranteed discount to the Volume Weighted Average Price ("VWAP") of the Shares over a specified period of time. Adobe only enters into such transactions when the discount that the Company receives is higher than the foregone return on its cash prepayments to the financial institutions. There were no explicit commissions or fees on these structured repurchases. Under the terms of the agreements, there is no requirement for the financial institutions to return any portion of the prepayment to the Company.</p> <p>During the three months ended March 2, 2018, Adobe repurchased approximately 1.6 million Shares at an average price of \$185.13 through structured repurchase agreements entered into during fiscal 2017 and the three months ended March 2, 2018. During the three months ended March 3, 2017 Adobe repurchased approximately 2.2 million Shares at an average price of \$107.54 through structured repurchase agreements entered into during fiscal 2016 and the three months ended March 3, 2017.</p> <p>Subsequent to March 2, 2018, as part of the \$2.5 billion stock repurchase authority approved in January 2017, Adobe entered into a structured stock repurchase agreement with a large financial institution whereupon the Company provided them with a prepayment of \$700 million. This amount will be classified as treasury stock on Adobe's condensed consolidated balance sheets. Upon completion of the \$700 million stock repurchase agreement, \$900 million remains under Adobe's current authority.</p>

<b>B.5</b>	<b>Organizational structure</b>	Adobe is the head of the Adobe group. Adobe wholly owns, directly or indirectly, each of its subsidiaries. As of April 20, 2018, Adobe had 19 subsidiaries in the Americas, 22 subsidiaries in Europe, one (1) subsidiary in Africa, 14 subsidiaries in Asia and one (1) subsidiary in the Middle East.
<b>B.6</b>	<b>Interests in Adobe's capital or voting rights</b>	Not applicable. Pursuant to its Q&A, ESMA considers that Item 18 of Annex I of the Prospectus Regulation is generally not pertinent for offers of shares to employees and can thus be omitted from the prospectus in accordance with Article 23.4 of the Prospectus Regulation.
<b>B.7</b>	<b>Financial information concerning Adobe for the fiscal years ended December 1, 2017, December 2, 2016 and November 27, 2015, and for the quarters ended March 2, 2018 and March 3, 2017</b>	

The consolidated statement of income and the consolidated balance sheet data of Adobe for the fiscal years ended December 1, 2017, December 2, 2016 and November 27, 2015, set out in this prospectus have been derived from Adobe's audited consolidated financial statements prepared in accordance with U.S. GAAP. The condensed consolidated statements of income of Adobe for the quarters ended March 2, 2018 and March 3, 2017 and the condensed consolidated balance sheet data of Adobe as of March 2, 2018 and December 1, 2017, set out in this prospectus have been derived from Adobe's unaudited condensed consolidated financial statements prepared in accordance with U.S. GAAP.

**SELECTED THREE-YEAR FINANCIAL DATA**  
(In thousands of US Dollars, except per share amounts and employee data)

	Fiscal Years		
	2017	2016	2015
Operations:			
Revenue	\$ 7,301,505	\$ 5,854,430	\$ 4,795,511
Gross profit	\$ 6,291,014	\$ 5,034,522	\$ 4,051,194
Income before income taxes	\$ 2,137,641	\$ 1,435,138	\$ 873,781
Net income	\$ 1,693,954	\$ 1,168,782	\$ 629,551
Net income per Share:			
Basic	\$ 3.43	\$ 2.35	\$ 1.26
Diluted	\$ 3.38	\$ 2.32	\$ 1.24
Shares used to compute basic net income per Share	493,632	498,345	498,764
Shares used to compute diluted net income per Share	501,123	504,299	507,164
Cash dividends declared per Share	\$ —	\$ —	\$ —
Financial position:(1)			
Cash, cash equivalents and short-term investments	\$ 5,819,774	\$ 4,761,300	\$ 3,988,084
Working capital	\$ 3,720,356	\$ 3,028,139	\$ 2,608,336
Total assets	\$ 14,535,556	\$ 12,697,246	\$ 11,714,500
Debt and capital lease obligations, non-current	\$ 1,881,421	\$ 1,892,200	\$ 1,895,259
Stockholders' equity	\$ 8,459,869	\$ 7,424,835	\$ 7,001,580
Additional data:			
Worldwide employees	17,973	15,706	13,893

(1) Information associated with Adobe's financial position is as of the Friday closest to November 30 for the three fiscal periods through 2017.



<b>SELECTED QUARTERLY DATA</b>			
(In thousands of US Dollars, except per share data)			
		Three months ended	
		March 2, 2018	March 3, 2017
<b>Condensed Consolidated Statements of Income Data</b>			
Total revenue		\$ 2,078,947	\$ 1,681,646
Gross profit		\$ 1,820,045	\$ 1,444,309
Income before income taxes		\$ 702,502	\$ 460,632
Net income		\$ 583,076	\$ 398,446
Basic net income per Share		\$ 1.18	\$ 0.81
Diluted net income per Share		\$ 1.17	\$ 0.80
		March 2, 2018	December 1, 2017
<b>Condensed Consolidated Balance Sheet Data</b>			
Cash and cash equivalents		\$ 2,666,981	\$ 2,306,072
Short-term investments		\$ 3,480,989	\$ 3,513,702
Total assets		\$ 14,973,485	\$ 14,535,556
Debt		\$ 1,874,794	\$ 1,881,421
Total liabilities		\$ 6,339,457	\$ 6,075,687
Total stockholders' equity		\$ 8,634,028	\$ 8,459,869
<b>B.8</b>	<b>Pro forma financial information</b>	Not applicable. Pursuant to its Q&A, ESMA considers that Item 20.2 of Annex I of the Prospectus Regulation is generally not pertinent for offers of shares to employees and can thus be omitted from the prospectus in accordance with Article 23.4 of the Prospectus Regulation.	
<b>B.9</b>	<b>Profit forecast or estimate</b>	Not applicable. This prospectus does not contain any profit forecast or estimate.	
<b>B.10</b>	<b>Qualifications in the audit report on the historical financial information</b>	Not applicable. There are no such qualifications in the auditors' reports for fiscal years 2017, 2016 or 2015.	
<b>B.11</b>	<b>Working capital statement</b>	Not applicable. Adobe's working capital is sufficient for its present requirements.	

<b>SECTION C — SECURITIES</b>		
<b>C.1</b>	<b>Type and class of the securities being offered, including the security identification code</b>	The Shares offered pursuant to this prospectus can be either treasury shares or newly issued Shares, at Adobe's sole discretion. The Shares are or will, after their issuance, be listed on Nasdaq Global Select Market ("Nasdaq") under the symbol "ADBE." The CUSIP for the Shares is 00724F101.
<b>C.2</b>	<b>Currency of the securities issue</b>	The United States Dollar is the currency of the securities issue.

C.3	<b>Number of shares issued</b>	As of March 2, 2018, Adobe was authorized to issue 900,000,000 Shares and 2,000,000 shares of preferred stock, par value \$0.0001 per share. As of March 23, 2018, there were 492,470,335 Shares outstanding and no shares of preferred stock issued or outstanding.
C.4	<b>Rights attached to the securities</b>	<p>No Participating Employee (as defined in Element E.3 below) shall have any voting, dividend, or other stockholder rights with respect to any offering under the ESPP until the Shares have been purchased and delivered to the Participating Employee. Following such purchase and delivery, the Participating Employee shall be entitled to the rights attached to the Shares, as further described below:</p> <p><b>Dividend Rights.</b> Adobe's Restated Certificate of Incorporation does not provide for dividend rights for the Shares. Under the General Corporation Law of the State of Delaware (US) (the "DGCL") and subject to preferences that may apply to shares of Adobe preferred stock outstanding at the time, the holders of outstanding Shares are entitled to receive dividends either (1) out of the surplus, or (2) in case there shall be no such surplus, out of the company's net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year as the Board may from time to time determine (see Section 170 DGCL).</p> <p><b>Voting Rights.</b> Each holder of Shares is entitled to one vote for each Share held on all matters submitted to a vote of Adobe's stockholders.</p> <p><b>Right to Receive Liquidation Distributions.</b> Upon a liquidation, dissolution or winding-up of the Company, the assets legally available for distribution to stockholders are distributable ratably among the holders of the outstanding Shares at that time after payment of any liquidation preferences on any outstanding preferred stock.</p> <p><b>No Preemptive, Redemptive or Conversion Provisions.</b> The Shares are not entitled to preemptive rights and are not subject to conversion or redemption.</p>
C.5	<b>Transferability restrictions</b>	Not applicable. The Shares in this offering are registered on Form S-8 with the SEC and are generally freely transferable.
C.6	<b>Admission to trading on a regulated market</b>	Not applicable. As noted in Element C.1 above, the Shares are listed on Nasdaq.
C.7	<b>Dividend policy</b>	Adobe did not declare or pay any cash dividends on its Shares during fiscal 2017, fiscal 2016 or fiscal 2015. Under the terms of its credit agreement and lease agreements, Adobe is not prohibited from paying cash dividends unless payment would trigger an event of default or one currently exists. Adobe does not anticipate paying any cash dividends in the foreseeable future.

<b>SECTION D — RISKS</b>		
<b>D.1</b>	<b>Key risks related to Adobe or its industry</b>	<p>Set forth below are summaries of the key risks, uncertainties and other factors that may affect Adobe's future results. The risks and uncertainties described below are not the only ones facing Adobe.</p> <ul style="list-style-type: none"> <li>• If Adobe cannot continue to develop, acquire, market and offer new products and services or enhancements to existing products and services that meet customer requirements, its operating results could suffer.</li> <li>• Adobe's competitive position and results of operations could be harmed if it does not compete effectively.</li> <li>• Introduction of new technology could harm Adobe's business and results of operations.</li> <li>• Security breaches in data centers Adobe manages, or third parties manage on its behalf, may compromise the confidentiality, integrity, or availability of employee and customer data, which could expose Adobe to liability and adversely affect its reputation and business.</li> <li>• Increasing regulatory focus on privacy issues and expanding laws and regulations could impact Adobe's business models and expose it to increased liability.</li> <li>• Security vulnerabilities in Adobe's products and systems could lead to reduced revenues or to liability claims.</li> <li>• Adobe may not realize the anticipated benefits of past or future investments or acquisitions, and integration of acquisitions may disrupt its business and management.</li> <li>• The success of some of Adobe's product and service offerings depends on its ability to continue to attract and retain customers of and contributors to its online marketplaces for creative content.</li> <li>• Adobe is subject to risks associated with compliance with laws and regulations globally, which may harm its business.</li> <li>• Uncertainty about current and future economic conditions and other adverse changes in general political conditions in any of the major countries in which Adobe does business could adversely affect its operating results.</li> <li>• Failure to manage Adobe's sales and distribution channels effectively could result in a loss of revenue and harm to its business. Adobe contracts with a number of software distributors and other strategic partners, none of which is individually responsible for a material amount of its total net revenue for any recent period.</li> <li>• Adobe has issued \$1.9 billion of notes in debt offerings and may incur other debt in the future, which may adversely affect its financial condition and future financial results.</li> </ul>
<b>D.3</b>	<b>Key risks related to the shares</b>	<ul style="list-style-type: none"> <li>• Revenue, margin or earnings shortfalls or the volatility of the market generally may cause the market price of the Shares to decline.</li> <li>• Participating Employees (as defined in Element E.3) assume the risk of</li> </ul>

		any currency and/or market fluctuations from the time of their contributions to the ESPP by payroll deductions through the selling of their Shares purchased under the ESPP.
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<b>SECTION E — OFFER</b>		
<b>E.1</b>	<b>Net proceeds</b>	Assuming that (i) the 2,245 eligible employees in France, Germany, Ireland, Romania and the United Kingdom <sup>2</sup> would purchase the maximum amount of Shares under the ESPP offered pursuant to this prospectus, that is, a total of 224 whole Shares each, for a maximum of \$42,250.88 in contributions per person, at \$188.62 (85% of a hypothetical Purchase Price (as defined in Element E.3 below) of \$221.90 which was the closing price of the Shares on April 27, 2018), (ii) the Shares offered under the ESPP would all be newly issued and (iii) the July 2, 2018 and the January 2, 2019 Share prices, respectively, are less than the December 31, 2018 and June 28, 2019 Share prices, respectively, then the gross proceeds of Adobe in connection with the offer under the ESPP pursuant to this prospectus would be \$94,853,225.60. After deducting approximately \$90,000 in legal and accounting expenses in connection with the offer, the net proceeds would be approximately \$94,763,225.60.
<b>E.2a</b>	<b>Reasons for the offer and use of proceeds</b>	The purpose of the ESPP is to provide eligible employees of the participating company group with an opportunity to acquire a proprietary interest in the Company through the purchase of Shares.  The net proceeds will be used for general corporate purposes.
<b>E.3</b>	<b>Description of the terms and conditions of the offer</b>	Adobe will offer eligible employees of Adobe and its subsidiaries the right to purchase its Shares under the ESPP.  The offering of the ESPP may be considered a public offering of securities pursuant to the Prospectus Directive in the following EEA countries, subject to its applicable legislation: France, Germany, Ireland, Romania and the United Kingdom. The offering of the ESPP may also be made in the following EEA countries: Austria, Belgium, Czech Republic, Denmark, Finland, Italy, Netherlands, Norway, Poland, Spain and Sweden (the "Additional Countries"). However, such offering is not considered a public offering of securities and/or the obligation to publish a prospectus does not apply to the offering under the legislation implementing the Prospectus Directive in the Additional Countries. The total amount of the offering of the ESPP in the EEA is more than €5 million over a 12-month period. <sup>3</sup>  This prospectus will be made available to employees of the subsidiaries of Adobe based in the above-named countries where the offering of the ESPP may be considered a public offering of securities at the respective

<sup>2</sup> As of March 2, 2018, there were 358 eligible employees in France, 533 eligible employees in Germany, 170 eligible employees in Ireland, 521 eligible employees in Romania and 663 eligible employees in the United Kingdom.

<sup>3</sup> Pursuant to this prospectus, the ESPP is offered to 2,245 eligible employees in France, Germany, Ireland, Romania and the United Kingdom, where such offering is considered a public offering pursuant to the Prospectus Directive. In addition, the ESPP will be offered to approximately 574 eligible employees in the Additional Countries where such offering is not considered a public offering pursuant to the Prospectus Directive. The total amount of the offering of the ESPP in France, Germany, Ireland, Romania and the United Kingdom and the Additional Countries is more than €5 million over a 12-month period.

		<p>head offices of their employers.</p> <p>The ESPP is administered by the Board or a committee appointed by the Board (the "Committee"). Eligible employees are offered participation in the ESPP and may decide to enroll in the ESPP ("Participating Employees"). The ESPP is composed of offering periods that are approximately 24 months in duration ("Offering Periods") which contain four successive six-month purchase periods ("Purchase Periods"). The first day of each Offering Period is referred to as the "Offering Date." Purchase Periods commence on or about January 1 and July 1 of each year and end on or about June 30 and December 31. Once enrolled, Participating Employees may purchase Shares at a discount on the last trading day of each Purchase Period (the "Purchase Date").</p> <p>During each six-month Purchase Period, Participating Employees may elect to contribute to the ESPP through payroll deductions between 1% and 25% of their eligible compensation (i.e., the employer automatically deducts this amount from the Participating Employees' compensation on each pay date). The accumulated payroll deductions are used to purchase Shares at the end of each Purchase Period. The purchase price per Share is 85% of the lesser of (1) the Fair Market Value<sup>4</sup> of a Share on the first business day of the 24-month Offering Period or (2) the Fair Market Value of a Share on each Purchase Date within a 24-month Offering Period (the "Purchase Price").</p> <p>However, if the Fair Market Value of a Share on a Purchase Date (other than the final Purchase Date for the Offering Period) is less than the Fair Market Value of a Share on the Offering Date, the Participating Employee will be automatically withdrawn from the Offering Period and re-enrolled in a new Offering Period, which will commence on the first business day subsequent to such Purchase Date. The Participating Employee acknowledges that in the event of such re-enrollment, the Fair Market Value of the Shares on the new Offering Date may be higher than that on the previous Offering Date (assuming there is an increase in the Fair Market Value of the Shares between the Purchase Date and the new Offering Date commencing the next trading day). The Participating Employee may withdraw from the ESPP as described below.</p> <p>The ESPP is offered to eligible employees of Adobe and its designated subsidiaries ("Participating Companies"), some of which are located in the EEA. Eligible employees may only purchase (i) Shares having a Fair Market Value on the applicable Offering Date of not more than \$25,000 per calendar year and (ii) 5,000 Shares per 24-month Offering Period.</p> <p>An eligible employee may become a Participating Employee in an Offering Period by completing a subscription agreement and any other required documents (the "Enrollment Documents") provided by Adobe and submitting them to the office designated by Adobe not later than the close of business for such office on the last business day prior to the Offering Date of an Offering Period or such earlier date as the Company establishes for such Offering Period (the "Subscription Date"), pursuant to the rules prescribed by the Board. In order to participate in the Purchase Period beginning July 1, 2018, eligible employees must enroll by June 30. The Enrollment Documents will set forth the amount of the Participating Employee's compensation contributed to the ESPP. Participating</p>
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<sup>4</sup> The Fair Market Value is, as of any date, the closing sale price of a Share as quoted on the Nasdaq, as reported in The Wall Street Journal or such other source as the Company deems reliable.

		<p>Employees do not need to complete Enrollment Documents for each Offering Period; their election to participate will be valid until they withdraw from the ESPP. A Participating Employee may change the percentage of authorized deductions by delivering to Adobe's designated office an amended subscription agreement on or before the date prior to the beginning of the first pay period for which election is to be effective as established by Adobe. However, a Participating Employee who elects to decrease his/her payroll contributions to 0% will be withdrawn from the ESPP. In addition, a Participating Employee may voluntarily withdraw from the ESPP provided a written notice of withdrawal is made at any time prior to the end of an Offering Period.</p> <p>Rights under the ESPP may not be transferred in any way (other than by will, the laws of descent and distribution) by Participating Employees.</p> <p>The ESPP was last amended by the Board on May 9, 2016 (no shareholders' approval was required for such amendment).</p> <p>As of May 1, 2018, there were 6,359,274 Shares available for issuance under the ESPP on a worldwide basis (out of a maximum 93 million Shares available under the ESPP).</p>									
<b>E.4</b>	<b>Description of material interest to the offer including conflict of interests</b>	Not applicable. There are no such interests.									
<b>E.5</b>	<b>Name of the entity offering to sell the security</b>	Adobe Systems Incorporated.									
<b>E.6</b>	<b>Maximum dilution</b>	<p>Assuming that the Shares offered pursuant to this prospectus to the 2,245 eligible employees in France, Germany, Ireland, Romania and the United Kingdom would all be newly issued, the holdings of a stockholder of Adobe currently holding 1% of the total outstanding Share capital of Adobe as of March 23, 2018 (i.e., 4,924,703 Shares) and who would not participate in the offer, would be diluted as indicated in the following dilution table:</p> <table border="1"> <thead> <tr> <th></th> <th>Percentage of the total outstanding Shares</th> <th>Total number of outstanding Shares</th> </tr> </thead> <tbody> <tr> <td>Before the offering (as of March 23, 2018)</td> <td>1.00%</td> <td>492,470,335</td> </tr> <tr> <td>After issuance of 502,880 Shares under the ESPP</td> <td>0.998%</td> <td>492,973,215</td> </tr> </tbody> </table>		Percentage of the total outstanding Shares	Total number of outstanding Shares	Before the offering (as of March 23, 2018)	1.00%	492,470,335	After issuance of 502,880 Shares under the ESPP	0.998%	492,973,215
	Percentage of the total outstanding Shares	Total number of outstanding Shares									
Before the offering (as of March 23, 2018)	1.00%	492,470,335									
After issuance of 502,880 Shares under the ESPP	0.998%	492,973,215									
<b>E.7</b>	<b>Estimated expenses charged to the investor</b>	Not applicable. There are no such expenses.									

## THE FOLLOWING INFORMATION IS NOT PART OF THE PROSPECTUS SUMMARY

## PART II — PROSPECTUS

**SECTION A — RISK FACTORS****I. RISKS RELATED TO ADOBE'S BUSINESS AND INDUSTRY**

Our actual results could differ materially from our forward-looking statements. Below we discuss some of the factors that could cause these differences. These and many other factors described in Adobe's Form 10-Q 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. Releases 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 Adobe's Annual Report on Form 10-K for the fiscal year ended December 1, 2017, filed with the SEC on January 22, 2018 ("Adobe's Form 10-K").

***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 on individual browsers when consumers visit websites that contain advertisements. We use these cookies to help our customers more effectively advertise, gauge the performance of their advertisements, and detect and prevent fraudulent activity. Consumers can block or delete cookies through their browsers or "ad-blocking" software or applications. The most common Internet browsers allow consumers to modify their browser settings to prevent cookies from being accepted by their browsers, or are set to block third-party cookies by default. Increased use of methods, software or applications that block cookies could harm our business.

***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 Enterprise Term License Agreements 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
- 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 Enterprise Term License Agreements, 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 disclosure of data stored by Adobe or our service providers may occur through break-ins,

breaches of a secure network by an unauthorized party, 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 information, or if a third party were to gain unauthorized access to the information 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 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, 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, causing 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. 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.***

U.S. privacy and data security laws apply to our various businesses. We also do business globally in countries that have more stringent data protection laws than those in the United States that may be inconsistent across jurisdictions and are subject to evolving and differing interpretations. Governments, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. Globally, new laws, such as the General Data Protection Regulation in Europe, and industry self-regulatory codes have been enacted and more are being considered that 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 store information on behalf of our 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. These developments in Europe and elsewhere 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 our data security systems and misused 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 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. These vulnerabilities could cause such applications 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 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 U.S. 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 in Adobe's Form 10-K.

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.

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 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 44% 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 52% 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 the Shares to decline.***

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

- shortfalls in, or changes in expectations about our revenue, margins, earnings, Annualized Recurring Revenue, 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 the Shares 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.***

U.S. GAAP requires us to test for 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 indicating 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 \$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 March 2, 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 March 2, 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.

## II. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

All market risk sensitive instruments were entered into for non-trading purposes. The information below is excerpted from Adobe's Form 10-K. Adobe believes that there have been no significant changes in its market risk exposures for the three months ended March 2, 2018.

### 2.1 Foreign Currency Risk

#### *Foreign Currency Exposures and Hedging Instruments*

In countries outside the United States, we transact business in U.S. Dollars and various other currencies, which subject us to exposure from movements in exchange rates. We may use foreign exchange purchased options or forward contracts to hedge our foreign currency revenue. Additionally, we hedge our net recognized foreign currency assets and liabilities with foreign exchange forward contracts. We hedge these exposures to reduce the risk that our earnings and cash flows will be adversely affected by changes in exchange rates.

Our significant foreign currency revenue exposures for fiscal 2017, 2016 and 2015 were as follows (in millions, except Japanese Yen):

	Fiscal 2017		Fiscal 2016		Fiscal 2015	
Euro	€	1,044.7	€	825.6	€	589.6
Japanese Yen (in billions)	¥	51.0	¥	38.7	¥	29.7
British Pounds	£	338.4	£	263.5	£	192

As of December 1, 2017, the total absolute value of all outstanding foreign exchange contracts, including options and forwards, was \$1.24 billion, which included the notional equivalent of \$618.4 million in Euros, \$225.3 million in British Pounds, \$244.5 million in Japanese Yen and \$148.9 million in other foreign currencies. As of December 1, 2017, all contracts were set to expire at various dates through June 2018. The bank counterparties in these contracts could expose us to credit-related losses that would be largely mitigated with collateral security agreements that provide for collateral to be received or posted when the net fair value of these contracts fluctuates from contractually established thresholds. In addition, we enter into master netting arrangements that have the ability to further limit credit-related losses with the same counterparty by permitting net settlement transactions.

A sensitivity analysis was performed on all of our foreign exchange derivatives as of December 1, 2017. This sensitivity analysis measures the hypothetical market value resulting from a 10% shift in the value of exchange rates relative to the U.S. Dollar. For option contracts, the Black-Scholes option pricing model was used. A 10% increase in the value of the U.S. Dollar and a corresponding decrease in the value of the hedged foreign currency asset would lead to an increase in the fair value of our financial hedging instruments by \$79.7 million. Conversely, a 10% decrease in the value of the U.S. Dollar would result in a decrease in the fair value of these financial instruments by \$23.6 million.

As a general rule, we do not use foreign exchange contracts to hedge local currency denominated operating expenses in countries where a natural hedge exists. For example, in many countries, revenue in the local currencies substantially offsets the local currency denominated operating expenses.

We also have long-term investment exposures consisting of the capitalization and retained earnings in our non-U.S. Dollar functional currency foreign subsidiaries. As of December 1, 2017 and December 2, 2016, this long-term investment exposure totaled an absolute notional equivalent of \$190.5 million and \$70.2 million, respectively. At this time, we do not hedge these long-term investment exposures.

We do not use foreign exchange contracts for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of changes in foreign exchange rates. We regularly review our hedging program and assess the need to utilize financial instruments to hedge currency exposures on an ongoing basis.

### **Cash Flow Hedging—Hedges of Forecasted Foreign Currency Revenue**

We may use foreign exchange purchased options or forward contracts to hedge foreign currency revenue denominated in Euros, British Pounds and Japanese Yen. We hedge these cash flow exposures to reduce the risk that our earnings and cash flows will be adversely affected by changes in exchange rates. These foreign exchange contracts, carried at fair value, may have maturities between one and twelve months. We enter into these foreign exchange contracts to hedge forecasted revenue in the normal course of business and accordingly, they are not speculative in nature.

We record changes in the intrinsic value of these cash flow hedges in accumulated other comprehensive income (loss) until the forecasted transaction occurs. When the forecasted transaction occurs, we reclassify the related gain or loss on the cash flow hedge to revenue. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, we reclassify the gain or loss on the related cash flow hedge from accumulated other comprehensive income (loss) to interest and other income, net on our Consolidated Statements of Income at that time. For the fiscal year ended December 1, 2017, there were no net gains or losses recognized in other income relating to hedges of forecasted transactions that did not occur.

### **Balance Sheet Hedging—Hedging of Foreign Currency Assets and Liabilities**

We hedge exposures related to our net recognized foreign currency assets and liabilities with foreign exchange forward contracts to reduce the risk that our earnings and cash flows will be adversely affected by changes in foreign currency exchange rates. These foreign exchange contracts are carried at fair value with changes in the fair value recorded as interest and other income, net. These foreign exchange contracts do not subject us to material balance sheet risk due to exchange rate movements because gains and losses on these contracts are intended to offset gains and losses on the assets and liabilities being hedged. At December 1, 2017, the outstanding balance sheet hedging derivatives had maturities of 180 days or less.

See Note 5 of the Notes to Consolidated Financial Statements in Adobe's Form 10-K for information regarding our hedging activities.

## **2.2 Interest Rate Risk**

### **Short-Term Investments and Fixed Income Securities**

At December 1, 2017, we had debt securities classified as short-term investments of \$3.51 billion. Changes in interest rates could adversely affect the market value of these investments. The following table separates these investments, based on stated maturities, to show the approximate exposure to interest rates (in millions):

Due within one year	\$ 1,023.7
Due between one and two years	1,289.3
Due between two and three years	812.8
Due after three years	387.9
Total	<u>\$ 3,513.7</u>

A sensitivity analysis was performed on our investment portfolio as of December 1, 2017. The analysis is based on an estimate of the hypothetical changes in market value of the portfolio that would result from an immediate parallel shift in the yield curve of various magnitudes.

The following tables present the hypothetical fair values of our debt securities classified as short-term investments assuming immediate parallel shifts in the yield curve of 50 basis points ("BPS"), 100 BPS and 150 BPS. The analysis is shown as of December 1, 2017 and December 2, 2016 (dollars in millions):

	-150 BPS	-100 BPS	-50 BPS	Fair Value 12/1/17	+50 BPS	+100 BPS	+150 BPS
\$	3,595.2	\$ 3,568.1	\$ 3,540.9	\$ 3,513.7	\$ 3,486.5	\$ 3,459.3	\$ 3,432.1

  

	-150 BPS	-100 BPS	-50 BPS	Fair Value 12/2/16	+50 BPS	+100 BPS	+150 BPS
\$	3,828.5	\$ 3,805.9	\$ 3,778.4	\$ 3,750.0	\$ 3,721.6	\$ 3,693.2	\$ 3,664.8

### Senior Notes

As of December 1, 2017, the amount outstanding under our senior notes was \$1.9 billion. In June 2014, we entered into interest rate swaps that effectively converted the fixed interest rate on our 2020 Notes to a floating interest rate based on the LIBOR plus a fixed number of BPS through February 1, 2020. Accordingly, our exposure to fluctuations in market interest rates is on the hedged fixed-rate debt of \$900 million. An immediate hypothetical 50 BPS increase or decrease in market interest rates would not have a significant impact on our results of operations.

As of December 1, 2017, the total carrying amount of the Notes was \$1.88 billion and the related fair value based on observable market prices in less active markets was \$1.98 billion.

## 2.3 Other Market Risk

### Privately Held Long-Term Investments

The privately held companies in which we invest can still be considered in the start-up or development stages which are inherently risky. The technologies or products these companies have under development are typically in the early stages and may never materialize, which could result in a loss of a substantial part of our initial investment in these companies. The evaluation of privately held companies is based on information that we request from these companies, which is not subject to the same disclosure regulations as U.S. publicly traded companies, and as such, the basis for these evaluations is subject to the timing and accuracy of the data received from these companies. We have immaterial exposure on our long-term investments in privately held companies as these investments were insignificant as of December 1, 2017 and December 2, 2016.

## **SECTION B — SUPPLEMENTAL INFORMATION CONCERNING THE ESPP**

### I. THE OUTLINE

#### 1.1 Purpose of the ESPP

The purpose of the ESPP is to provide eligible employees of the Company and its subsidiaries designated by the Board to participate in the ESPP with an opportunity to acquire a proprietary interest in the Company through the purchase of Shares. The ESPP was initially approved by Adobe's stockholders at the stockholders' meeting held on April 9, 1997. The ESPP was last amended by the Board on May 9, 2016 (no shareholders' approval was required for such amendment).



## 1.2 Shares Offered Under the ESPP

A total of 93 million Shares are reserved for issuance under the ESPP. As of May 1, 2018, 6,359,274 Shares remain available for future issuance, representing approximately 1.29% of the 492,470,335 Shares outstanding as of March 23, 2018. Such number is subject to adjustments effected in accordance with the ESPP. Each Share has a par value of \$0.0001.

Except as provided in the ESPP, on the Offering Date of each Offering Period, each Participating Employee in such Offering Period shall be granted automatically a purchase right consisting of an option to purchase no more than five thousand (5,000) Shares. No purchase right will be granted on an Offering Date to any person who is not, on such Offering Date, an eligible employee. Notwithstanding any provision of the ESPP to the contrary, no purchase right will entitle a Participating Employee to purchase Shares under the ESPP at a rate which, when aggregated with such Participating Employee's rights to purchase Shares under all other employee stock purchase plans of a participating company intended to meet the requirements of Section 423 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), exceeds \$25,000 in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such purchase right has been outstanding at any time. For purposes of the preceding sentence, the Fair Market Value of Shares purchased during a given Offering Period will be determined as of the Offering Date for such Offering Period.

In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar change in the capital structure of the Company, or in the event of any merger (including a merger effected for the purpose of changing the Company's domicile), sale of assets or other reorganization in which the Company is a party, appropriate adjustments will be made in the number and class of shares subject to the ESPP and each purchase right and in the Purchase Price. If a majority of the shares which are of the same class as the shares that are subject to outstanding purchase rights are exchanged for, converted into, or otherwise become shares of another corporation (the "New Shares"), the Board may unilaterally amend the outstanding purchase rights to provide that such purchase rights are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the Purchase Price of, the outstanding purchase rights will be adjusted in a fair and equitable manner, as determined by the Board, in its sole discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment will be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the purchase right. The adjustments determined by the Board will be final, binding and conclusive.

## 1.3 Purchase Period

The ESPP is comprised of Offering Periods of approximately twenty-four (24) months duration or such other duration as the Board determines. Offering Periods commence on or about January 1 and July 1 of each year and end on or about the second December 31 and June 30, respectively, occurring thereafter. If the first or last day of an Offering Period is not a day on which the national securities exchanges or Nasdaq are open for trading, the Company will specify the trading day that will be deemed the first or last day, as the case may be, of the Offering Period.

Each Offering Period consists of four (4) consecutive Purchase Periods of approximately six (6) months duration, or such other number or duration as the Board determines. A Purchase Period commencing on or about January 1 will end on or about the next June 30. A Purchase Period commencing on or about July 1 will end on or about the next December 31. If the first or last day of a Purchase Period is not a day on which the national securities exchanges or Nasdaq are open for trading, the Company will specify the trading day that will be deemed the first or last day, as the case may be, of the Purchase Period.

## 1.4 Purchase Price

The Purchase Price at which each Share will be acquired in an Offering Period upon the exercise of all or any portion of a purchase right is eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a

Share on the first business day of the 24-month Offering Period or (b) the Fair Market Value of a Share on each Purchase Date within a 24-month Offering Period.

### **1.5 Purchase of Shares**

On each Purchase Date of an Offering Period, each Participating Employee who has not withdrawn from the ESPP and whose participation in the offering has not terminated before such Purchase Date, will automatically acquire pursuant to the exercise of the Participating Employee's purchase right the number of whole Shares determined by dividing (a) the total amount of the Participating Employee's payroll deductions accumulated in the Participating Employee's ESPP account during the Offering Period and not previously applied toward the purchase of Shares by (b) the Purchase Price. However, in no event will the number of Shares purchased by the Participating Employee during an Offering Period exceed the number of Shares subject to the Participating Employee's purchase right. No Shares will be purchased on a Purchase Date on behalf of a Participating Employee whose participation in the Offering or the Plan has terminated before such Purchase Date.

Any cash balance remaining in a Participating Employee's ESPP account following any Purchase Date will be refunded to the Participating Employee as soon as practicable after such Purchase Date. However, if the cash to be returned to a Participating Employee is an amount less than the amount that would have been necessary to purchase an additional whole Share on such Purchase Date, the Company may retain such amount in the Participating Employee's ESPP account to be applied toward the purchase of Shares in the subsequent Purchase Period or Offering Period, as the case may be.

### **1.6 Term of the ESPP**

The ESPP will continue in effect until the earlier of its termination by the Board or the date on which all of the Shares available for issuance under the ESPP have been issued.

### **1.7 Termination or Amendment of the ESPP**

The Board may at any time amend or terminate the ESPP, except that (a) such termination should not affect purchase rights previously granted under the ESPP, except as permitted under the ESPP, and (b) no amendment may adversely affect a purchase right previously granted under the ESPP (except to the extent permitted by the ESPP or as may be necessary to qualify the ESPP as an employee stock purchase plan pursuant to the Code or to obtain qualification or registration of the Shares under applicable foreign, federal or state securities laws). In addition, an amendment to the ESPP must be approved by the stockholders of the Company within twelve (12) months of the adoption of such amendment if the amendment would authorize the sale of more Shares than are authorized for issuance under the ESPP or would change the definition of the corporations that may be designated by the Board as Participating Companies.

## **II. ELIGIBILITY**

### **2.1 Eligible Employees**

The Board designates from among the subsidiaries, as determined from time to time, the subsidiary or subsidiaries whose employees will be eligible to participate in the ESPP. The Board has the sole and absolute discretion in determining which subsidiaries or affiliates will be Participating Companies.

Each employee of a Participating Company is eligible to participate in the ESPP and will be deemed an eligible employee, except the Board, in its discretion, may exclude employees who own stock or hold options to purchase stock possessing five (5) percent or more of the total combined voting power or value of all classes of stock of the Company or any of its subsidiaries.

Under the ESPP, an eligible employee is any employee of the Company or a Participating Company,

except an employee who is customarily employed by the Participating Company Group for 20 hours or less per week or for not more than five months in a calendar year. Notwithstanding the foregoing, employees of a Participating Company may be Participating Employees even if their customary employment is less than the aforementioned requirements, to the extent required by local law.

## **2.2 Participation of Eligible Employees**

An eligible employee may become a Participating Employee in an Offering Period by delivering a properly completed subscription agreement to the office designated by the Company not later than the Subscription Date. An eligible employee who does not deliver a properly completed subscription agreement to the Company's designated office on or before the Subscription Date for an Offering Period shall not participate in the ESPP for that Offering Period or for any subsequent Offering Period unless the eligible employee subsequently delivers a properly completed subscription agreement to the appropriate office of the Company on or before the Subscription Date for such subsequent Offering Period. An employee who becomes an eligible employee on or after the Offering Date of an Offering Period will not be eligible to participate in such Offering Period but may participate in any subsequent Offering Period provided such employee is still an eligible employee as of the Offering Date of such subsequent Offering Period.

A Participating Employee will automatically participate in the next Offering Period commencing immediately after the final Purchase Date of each Offering Period in which the Participating Employee participates provided that such Participating Employee remains an eligible employee on the Offering Date of the new Offering Period and has not either (a) withdrawn from the ESPP or (b) terminated employment. A Participating Employee who may automatically participate in a subsequent Offering Period is not required to deliver any additional subscription agreement for the subsequent Offering Period in order to continue participation in the ESPP. However, a Participating Employee may deliver a new subscription agreement for a subsequent Offering Period if the Participant desires to change any of the elections contained in the Participating Employee's then effective subscription agreement. Eligible employees may not participate simultaneously in more than one Offering.

If the Fair Market Value of the Shares on a Purchase Date (other than the final Purchase Date for the Offering Period) is less than the Fair Market Value of the Shares on the Offering Date, the Participating Employee will be automatically withdrawn from such Offering Period and re-enrolled in a new Offering Period, which will commence on the first business day subsequent to such Purchase Date. The Participating Employee acknowledges that in the event of such re-enrollment, the Fair Market Value of the Shares on the new Offering Date may be higher than that on the previous Offering Date (assuming there is an increase in the Fair Market Value of the Shares between the Purchase Date and the new Offering Date commencing the next trading day). The Participating Employee may withdraw from the ESPP as described below.

## **2.3 Payroll Deductions**

Shares acquired pursuant to the exercise of all or any portion of a purchase right may be paid for only by means of payroll deductions from the Participating Employee's compensation accumulated during the Offering Period for which such purchase right was granted (however, if local law outside the U.S. does not permit payroll deductions, the Board may modify the procedure for the payment of the Purchase Price to conform to such laws).

Except as otherwise provided in the ESPP, the amount to be deducted under the ESPP from a Participating Employee's compensation on each payday during an Offering Period will be determined by the Participating Employee's subscription agreement. The subscription agreement will set forth the percentage of the Participating Employee's compensation to be deducted on each payday during an Offering Period in whole percentages of not less than one percent (1%) or more than twenty-five percent (25%).

Payroll deductions commence on the first payday following the Offering Date and continue to the end of the Offering Period unless sooner altered or terminated. During an Offering Period, a Participating Employee may elect to decrease the rate of or to stop deductions from his or her compensation by delivering to the Company's designated office an amended subscription agreement authorizing such change on or before the "Change Notice Date." The "Change Notice Date" will be a date prior to the beginning of the first pay period for which such election is to be effective as established by the Company from time to time and announced to the Participating Employees. Participating Employees who elect to decrease their payroll contributions to 0% are withdrawn from the ESPP.

#### **2.4 Discontinuance of Participation of Participating Employees**

A Participating Employee may withdraw from the ESPP by signing and delivering to the Company's designated office a written notice of withdrawal on a form provided by the Company for such purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period; provided, however, if a Participating Employee withdraws from the ESPP after the Purchase Date of a Purchase Period, the withdrawal will not affect Shares acquired by the Participating Employee on such Purchase Date. A Participating Employee who voluntarily withdraws from the ESPP is prohibited from resuming participation in the ESPP in the same offering from which he or she withdrew, but may participate in any subsequent offering by again satisfying the requirements of eligibility and enrolling in the ESPP. The Company may impose, from time to time, a requirement that the notice of withdrawal from the ESPP be on file with the Company's designated office for a reasonable period prior to the effectiveness of the Participating Employee's withdrawal.

Upon a Participating Employee's withdrawal from the ESPP, the Participating Employee's accumulated payroll deductions which have not been applied toward the purchase of Shares will be returned as soon as practicable after the withdrawal, without the payment of any interest, to the Participating Employee, and the Participating Employee's interest in the ESPP and the Offering Period will terminate. Such accumulated payroll deductions may not be applied to any other offering under the ESPP.

#### **2.5 Termination of Employment of Participating Employees**

Upon a Participating Employee's ceasing, prior to a Purchase Date, to be an employee of the Participating Company group for any reason, including retirement, disability or death, or the failure of a Participating Employee to remain an eligible employee, the Participating Employee's participation in the ESPP will terminate immediately. In such event, the payroll deductions credited to the Participating Employee's ESPP account since the last Purchase Date will, as soon as practicable, be returned to the Participating Employee or, in the case of the Participating Employee's death, to the Participating Employee's legal representative, and all of the Participating Employee's rights under the ESPP will terminate. Interest will not be paid on sums returned. A Participating Employee whose participation has been so terminated may again become eligible to participate in the ESPP by again satisfying the requirements of eligibility and enrollment.

### **III. DELIVERY AND SALE OF THE SHARES**

As soon as practicable after each Purchase Date, the Company will arrange the delivery to each Participating Employee, as appropriate, of a certificate representing the Shares acquired by the Participating Employee on such Purchase Date; provided that the Company may deliver such Shares to a broker that holds such Shares in street name for the benefit of the Participating Employee. Shares to be delivered to a Participating Employee under the ESPP will be registered in the name of the Participating Employee, or, if requested by the Participating Employee, in the name of the Participating Employee and his or her spouse, or, if applicable, in the names of the heirs of the Participating Employee.

A purchase right may not be transferred in any manner otherwise than by will or the laws of descent and distribution and will be exercisable during the lifetime of the Participating Employee only by the Participating Employee.

#### IV. RIGHTS RELATED TO THE SHARES

##### 4.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code

As of March 2, 2018, Adobe was authorized to issue 900,000,000 Shares and 2,000,000 shares of preferred stock, par value \$0.0001 per share. As of March 23, 2018, there were 492,470,335 Shares outstanding and no shares of preferred stock issued or outstanding.

Adobe's Shares, including any Shares that may be issued or purchased pursuant to the ESPP, are listed on Nasdaq under the symbol "ADBE." The CUSIP number for the Shares is 00724F101.

##### 4.2 Legislation Under Which the Securities Have Been Created

The Shares were created under the DGCL. Except as otherwise expressly required under the laws of a country, the ESPP and all rights thereunder shall be governed by and construed in accordance with the laws of the state of Delaware, United States of America.

##### 4.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

In general, stockholders may hold Shares, at their choosing, either in book entry, certificated or street name form. The records of the registered stockholders are kept by Adobe's transfer agent, Broadridge Corporate Issuer Solutions, Inc. The address and telephone number of Broadridge Corporate Issuer Solutions, Inc. is:

Broadridge Corporate Issuer Solutions, Inc.  
51 Mercedes Way  
Edgewood, NY 11717  
U.S.A.  
+ 1-800-455-1130

The Company's designated ESPP broker is E\*Trade. The Shares are deposited into the Participating Employee's E\*Trade account. The Participating Employee can activate his or her E\*Trade Account on the Internet at the following address: [www.etrade.com/stockplans](http://www.etrade.com/stockplans) or via IVR (Interactive Voice Response) at 1-650-599-0125 (outside the United States). Confirmations of purchase statements are made available to the Participating Employees both online or by contacting Adobe's designated office.

##### 4.4 Currency of the Securities Issue

The United States Dollar is the currency of the securities issue. Participating Employees assume the risk of any currency fluctuations from the time of their contributions to the ESPP by payroll deductions through the selling of their Shares purchased under the ESPP.

##### 4.5 Rights Attached to the Securities

No Participating Employee shall have any voting, dividend, or other stockholder rights with respect to any offering under the ESPP until the Shares have been purchased and delivered to the Participating Employee as provided in Section III above. Following such purchase and delivery, the Participating Employee shall be entitled to the rights attached to the Shares, as further described below:

**Dividend Rights.** Adobe's Restated Certificate of Incorporation does not provide for dividend rights for the Shares. Under the DGCL and subject to preferences that may apply to shares of Adobe preferred stock outstanding at the time, the holders of outstanding Shares are entitled to receive dividends either (1) out of the surplus, or (2) in case there shall be no such surplus, out of the company's net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year as Adobe's Board may from

time to time determine (see Section 170 DGCL).

Adobe did not declare or pay any cash dividends on its Shares during fiscal 2017, fiscal 2016 or fiscal 2015. Under the terms of its credit agreement and lease agreements, Adobe is not prohibited from paying cash dividends unless payment would trigger an event of default or one currently exists. Adobe does not anticipate paying any cash dividends in the foreseeable future.

**Voting Rights.** Each holder of Shares is entitled to one vote for each Share held on all matters submitted to a vote of Adobe's stockholders. Any action required or permitted to be taken by the stockholders of Adobe must be effected at a duly called annual or special meeting of such holders and may not be effected by consent in writing by such stockholders (Article V, Section B.(3) of the Restated Certificate of Incorporation of Adobe Systems Incorporated). Special meetings of stockholders of Adobe may be called, for any purpose or purposes, by (i) the Chairman of the Board, (ii) the President, (iii) the Board pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption) or (iv) by the holders of the Shares entitled to cast not less than ten percent (10%) of the votes at the meeting (Article V, Section B.(4) of the Restated Certificate of Incorporation of Adobe Systems Incorporated).

An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as the Board shall each year fix. Any other business properly brought before the Annual Meeting in accordance with Article III, Section 5(b) of the Amended and Restated Bylaws may be conducted at the meeting.

Except as provided in Section 18 of Article IV of the Amended and Restated Bylaws, a nominee for director shall be elected to the Board if the votes cast for such nominee's election exceed the votes cast against such nominee's election (excluding the effect of any abstentions with respect to that nominee's election); provided, however, that directors shall be elected by a plurality of the votes cast at any meeting of stockholders for which (i) the Secretary of the corporation receives a notice that a stockholder has nominated a person for election to the Board in compliance with the advance notice requirements for stockholder nominees for director set forth in Article III, Section 5(b)(iii) of these Bylaws and (ii) such nomination has not been withdrawn by such stockholder on or before the tenth (10th) day before the corporation first mails its notice of meeting for such meeting to the stockholders.

The Amended and Restated Bylaws require a stockholder who desires to nominate one or more persons for election as a member of the Board at the Company's annual meeting (other than through proxy access) to provide written notice to the Company at least 90 days and no more than 120 days prior to the first anniversary of the date on which the Company released its proxy materials to its stockholders for the prior year's annual meeting of stockholders.

The Amended and Restated Bylaws permit a stockholder (or a group of up to twenty stockholders) owning at least three percent of Adobe's outstanding Shares continuously for at least three years to nominate and include in Adobe's annual meeting proxy materials director nominees constituting up to the greater of two directors or twenty percent of the Board, provided that the stockholders and nominees satisfy the requirements specified in the Amended and Restated Bylaws.

Pursuant to Section 242 of the DGCL, after a corporation has received payment for any of its capital stock, it may amend its certificate of incorporation, from time to time, in any and as many respects as may be desired, so long as its certificate of incorporation as amended would contain only such provisions as it would be lawful and proper to insert in an original certificate of incorporation filed at the time of the filing of the amendment; and, if a change in stock or the rights of stockholders, or an exchange, reclassification, subdivision, combination or cancellation of stock or rights of stockholders is to be made, such provisions as may be necessary to effect such change, exchange, reclassification, subdivision, combination or cancellation. In particular, and without limitation upon such general power of amendment, a corporation may amend its certificate of incorporation, from time to time, so as:

- (1) To change its corporate name; or
- (2) To change, substitute, enlarge or diminish the nature of its business or its corporate powers and purposes; or
- (3) To increase or decrease its authorized capital stock or to reclassify the same, by changing the number, par value, designations, preferences, or relative, participating, optional, or other special rights of the shares, or the qualifications, limitations or restrictions of such rights, or by changing shares with par value into shares without par value, or shares without par value into shares with par value either with or without increasing or decreasing the number of shares, or by subdividing or combining the outstanding shares of any class or series of a class of shares into a greater or lesser number of outstanding shares; or
- (4) To cancel or otherwise affect the right of the holders of the shares of any class to receive dividends which have accrued but have not been declared; or
- (5) To create new classes of stock having rights and preferences either prior and superior or subordinate and inferior to the stock of any class then authorized, whether issued or unissued; or
- (6) To change the period of its duration.
- (7) To delete:
  - a. Such provisions of the original certificate of incorporation which named the incorporator or incorporators, the initial board of directors and the original subscribers for shares; and
  - b. Such provisions contained in any amendment to the certificate of incorporation as were necessary to effect a change, exchange, reclassification, subdivision, combination or cancellation of stock, if such change, exchange, reclassification, subdivision, combination or cancellation has become effective.

Any or all such changes or alterations may be effected by one certificate of amendment.

The Board shall adopt a resolution setting forth the amendment proposed, declaring its advisability, and either calling a special meeting of the stockholders entitled to vote in respect thereof for the consideration of such amendment or directing that the amendment proposed be considered at the next annual meeting of the stockholders; provided, however, that unless otherwise expressly required by the certificate of incorporation, no meeting or vote of the stockholders shall be required to adopt an amendment that only changes the name of the corporation. Such special or annual meeting shall be called and held upon written notice given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting. The notice shall set forth such amendment in full or a brief summary of the changes to be effected thereby, as the directors shall deem advisable. At the meeting a vote of the stockholders entitled to vote thereon shall be taken for and against the proposed amendment. If a majority of the outstanding stock entitled to vote thereon, and a majority of the outstanding stock of each class entitled to vote thereon as a class has been voted in favor of the amendment, a certificate setting forth the amendment and certifying that such amendment has been duly adopted in accordance with Section 242 of the DGCL shall be executed, acknowledged and filed and shall become effective.

***Right to Receive Liquidation Distributions.*** Upon a liquidation, dissolution or winding-up of the company, the assets legally available for distribution to stockholders are distributable ratably among the holders of the outstanding Shares at that time after payment of any liquidation preferences on any outstanding preferred stock.

**No Preemptive, Redemptive or Conversion Provisions.** The Shares are not entitled to preemptive rights and are not subject to conversion or redemption.

#### 4.6 Transferability

The Shares in this offering under the ESPP are registered on a registration statement on Form S-8 with the SEC and are generally freely transferable.

The ESPP is intended to provide Shares for investment and not for resale. The Company does not, however, intend to restrict or influence any Participating Employee in the conduct of his or her own affairs. A Participating Employee, therefore, may sell Shares purchased under the ESPP at any time he or she chooses, subject to compliance with any applicable securities laws. THE PARTICIPATING EMPLOYEE ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE SHARES.

#### 4.7 General Provisions Applying to Business Combinations

Adobe is subject to Section 203 of the DGCL, which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any "business combination" with an "interested stockholder" for a period of three (3) years following the time that such stockholder became an interested stockholder, unless:

- the board of directors of the corporation approves either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, prior to the time the interested stockholder attained that status;
- upon the closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least eighty-five (85%) of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (but not the outstanding voting stock owned by the interested stockholder), those shares owned (i) by persons who are directors and also officers and (ii) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

With certain exceptions, an "interested stockholder" under Section 203 of the DGCL is a person or group who or which owns fifteen percent (15%) or more of the corporation's outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of fifteen percent (15%) or more of such voting stock at any time within the previous three (3) years.

In general, Section 203 of the DGCL defines a business combination to include:

- any merger or consolidation involving the corporation or any of its subsidiaries with the interested stockholder;
- any sale, transfer, pledge or other disposition of ten percent (10%) or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation or any of its subsidiaries to the interested stockholder;



- any transaction involving the corporation or any of its subsidiaries that has the effect of increasing the proportionate share of the stock or any class or series of the corporation or of any such subsidiary beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation or any of its subsidiaries.

A Delaware corporation, such as Adobe, may "opt out" of this provision with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. However, Adobe has not "opted out" of this provision. Section 203 could prohibit or delay mergers or other takeover or change-in-control attempts and, accordingly, may discourage attempts to acquire Adobe.

Section 253 of the DGCL authorizes the board of directors of a Delaware corporation that owns ninety percent (90%) or more of each of the outstanding classes of stock of a subsidiary that are entitled to vote on a merger to merge the subsidiary into itself without any requirement for action to be taken by the board of directors of the subsidiary.

Section 251(h) of the DGCL, subject to certain exceptions, permits parties entering into a merger agreement to "opt in" to eliminate a target stockholder vote on a back-end merger following a tender or exchange offer in which the acquirer accumulates sufficient shares to approve the merger agreement (a majority unless the target has adopted a higher vote requirement) but less than the 90% necessary to effect a short-form merger. Section 251(h) of the DGCL applies only to target corporations that have a class or series of stock that is listed on a national securities exchange or held of record by more than 2,000 holders, such as the Company.

## V. STATEMENT OF CAPITALIZATION AND INDEBTEDNESS (AS OF MARCH 2, 2018)

### 5.1 Capitalization and Indebtedness (in thousands – unaudited)

Total Current debt	-
- Guaranteed	-
- Secured (capital lease obligations)	-
- Unguaranteed / Unsecured	-
Total Non-Current debt (excluding current portion of long-term debt)	\$ 1,874,794
- Guaranteed	-
- Secured (capital lease obligations)	-
- Unguaranteed / Unsecured	\$ 1,874,794
Stockholders' equity	
a. Share Capital and Additional Paid-in Capital	\$ 5,208,649
b. Legal Reserve	-
c. Total Other Reserves	\$ 3,425,379
- Retained earnings	\$ 9,830,399
- Accumulated other comprehensive loss	\$ (109,939)
- Treasury stock, at cost (107,954 Shares), net of re-issuances	\$ (6,295,081)
Total	\$ 8,634,028

### 5.2 Net Indebtedness (in thousands – unaudited)

A.+ B. Cash and cash equivalents	\$ 2,666,981
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C.	Short-term investments	\$	3,480,989
<b>D.</b>	<b>Liquidity (A) + (B) + (C)</b>	<b>\$</b>	<b>6,147,970</b>
<b>E.</b>	<b>Current Financial Receivable</b>		-
F.	Current Bank debt		-
G.	Current portion of non-current debt (capital lease obligations)		-
H.	Other current financial debt		-
<b>I.</b>	<b>Other Financial Debt (F) + (G) + (H)</b>		-
<b>J.</b>	<b>Net Current Financial Indebtedness (I) – (E) – (D)</b>	<b>\$</b>	<b>(6,147,970)</b>
K.	Non-current Bank loans		-
L.	Bonds Issued	\$	1,874,794
M.	Other non-current loans (capital lease obligations)		-
<b>N.</b>	<b>Non-current Financial Indebtedness (K) + (L) + (M)</b>	<b>\$</b>	<b>1,874,794</b>
<b>O.</b>	<b>Net Financial Indebtedness (J) + (N)</b>	<b>\$</b>	<b>(4,273,176)</b>

### 5.3 Indirect and Contingent Indebtedness

#### ***Lease Commitments***

We lease certain of our facilities and some of our equipment under non-cancellable operating lease arrangements that expire at various dates through 2031. We also have one land lease that expires in 2091. Rent expense includes base contractual rent and variable costs such as building expenses, utilities, taxes, insurance and equipment rental. Rent expense for these leases was approximately \$115.4 million in fiscal 2017 and \$92.9 million in both fiscal 2016 and 2015. Our sublease income was immaterial for all periods presented.

We occupy three office buildings in San Jose, California where our corporate headquarters are located. We reference these office buildings as the Almaden, East and West Towers.

In March 2017, we exercised our option to purchase the Almaden Tower for a total purchase price of \$103.6 million. Upon purchase, our investment in the lease receivable of \$80.4 million was credited against the total purchase price. We capitalized the Almaden Tower as property and equipment on our Consolidated Balance Sheets in Adobe's Form 10-K at \$104.2 million, the lesser of cost or fair value, which represented the total purchase price plus other direct costs associated with the purchase.

As of December 1, 2017, we own the buildings and the underlying land that make up our corporate headquarters in San Jose, California, including the Almaden Tower.

#### ***Other***

Subsequent to December 1, 2017, we purchased land near our headquarters in San Jose, California for a total purchase price of \$68.0 million.

#### ***Royalties***

We have royalty commitments associated with the licensing of certain offerings. Royalty expense is generally based on a dollar amount per unit sold or a percentage of the underlying revenue.

### ***Indemnifications***

In the ordinary course of business, we provide indemnifications of varying scope to customers and channel partners against claims of intellectual property infringement made by third parties arising from the use of our products and from time to time, we are subject to claims by our customers under these indemnification provisions. Historically, costs related to these indemnification provisions have not been significant and we are unable to estimate the maximum potential impact of these indemnification provisions on our future results of operations.

To the extent permitted under Delaware law, we have agreements whereby we indemnify our officers and directors for certain events or occurrences while the officer or director is or was serving at our request in such capacity. The indemnification period covers all pertinent events and occurrences during the officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have director and officer insurance coverage that reduces our exposure and enables us to recover a portion of any future amounts paid. We believe the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

### ***Legal Proceedings***

In connection with disputes relating to the validity or alleged infringement of third-party intellectual property rights, including patent rights, we have been, are currently and may in the future be subject to claims, negotiations or complex, protracted litigation. Intellectual property disputes and litigation may be very costly and can be disruptive to our business operations by diverting the attention and energies of management and key technical personnel. Although we have successfully defended or resolved past litigation and disputes, we may not prevail in any ongoing or future litigation and disputes. Third-party intellectual property disputes 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 to intellectual property disputes, we are subject to legal proceedings, claims and investigations in the ordinary course of business, including claims relating to commercial, employment and other matters. Some of these disputes and legal proceedings may include speculative claims for substantial or indeterminate amounts of damages. We consider all claims on a quarterly basis in accordance with U.S. GAAP and based on known facts assess whether potential losses are considered reasonably possible, probable and estimable. Based upon this assessment, we then evaluate disclosure requirements and whether to accrue for such claims in our financial statements. This determination is then reviewed and discussed with our Audit Committee and our independent registered public accounting firm.

We make a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Unless otherwise specifically disclosed in this note, we have determined that no provision for liability nor disclosure is required related to any claim against us because: (a) there is not a reasonable possibility that a loss exceeding amounts already recognized (if any) may be incurred with respect to such claim; (b) a reasonably possible loss or range of loss cannot be estimated; or (c) such estimate is immaterial.

All legal costs associated with litigation are expensed as incurred. Litigation is inherently unpredictable. However, we believe that we have valid defenses with respect to the legal matters pending against us. It is possible, nevertheless, that our consolidated financial position, cash flows or results of operations could be negatively affected by an unfavorable resolution of one or more of such proceedings, claims or investigations.

In connection with our anti-piracy efforts, conducted both internally and through organizations such as the Business Software Alliance, from time to time we undertake litigation against alleged copyright infringers. Such lawsuits may lead to counter-claims alleging improper use of litigation or violation of other laws. We believe we have valid defenses with respect to such counter-claims; however, it is possible that our consolidated financial position, cash flows or results of operations could be negatively affected in any particular period by the resolution of one or more of these counter-claims.

## VI. MAXIMUM DILUTION AND NET PROCEEDS

### 6.1 Maximum dilution

The Shares under the ESPP are offered pursuant to this prospectus to 2,245 eligible employees<sup>5</sup> in France, Germany, Ireland, Romania and the United Kingdom. As indicated in Section 1.2 above, the maximum rate at which employees may purchase Shares may not exceed \$25,000 of the Fair Market Value of Shares (at the time of the Offering Date) per calendar year in which the right is outstanding. However, as noted above, there are other limitations on Share purchases (such as no more than 25% of eligible compensation may be contributed to ESPP purchases) which may result in employees not being able to purchase \$25,000 worth of Shares in a calendar year.

Assuming that (i) eligible employees did not participate in the ESPP Purchase Period ending June 29, 2018, (ii) no other ESPP limitations are exceeded, and (iii) no Participating Employee has carried or will carry over any contributions from the prior calendar year into the following calendar year, if the employees enroll in the Purchase Period which begins in July 2018, each Participating Employee would be able to purchase a maximum of 112 whole Shares for a maximum of \$21,125.44 in contributions for the 2018 calendar year. These amounts are based on a hypothetical Purchase Price of \$188.62 (85% of \$221.90, the closing price on April 27, 2018) and assuming that the July 2, 2018 Share price is less than the December 31, 2018 Share price. No additional purchases will be permitted in calendar year 2018. However, Participating Employees would be able to purchase additional Shares during the Purchase Period in the next Offering Period. Assuming that employees participated in the next Purchase Period (i.e., January 2, 2019 to June 28, 2019) and assuming other ESPP contribution limits are not exceeded, on June 28, 2019, a Participating Employee would again be able to purchase a maximum of 112 whole Shares for a maximum of \$21,125.44. These amounts are calculated assuming a hypothetical Purchase Price of \$188.62 (85% of \$221.90, the closing price on April 27, 2018) and assuming that the January 2, 2019 Share price is less than the June 28, 2019 Share price (so the look back pricing feature is activated). Assuming that all of the Participating Employees would each purchase 224 Shares in the Offering Periods beginning in July 2018 and January 2019, the maximum number of Shares offered pursuant to this prospectus amounts to 502,880.

Based on the above assumptions, the holdings of a Stockholder of Adobe currently holding 1% of the total outstanding Share capital of Adobe as of March 23, 2018 that is 4,924,703 Shares, and who would not participate in the offer, would be diluted as indicated in the following dilution table:

	Percentage of the total outstanding Shares	Total number of outstanding Shares
Before the offering (as of March 23, 2018)	1.00%	492,470,335
After issuance of 502,880 Shares under the ESPP	0.998%	492,973,215

<sup>5</sup> As of March 2, 2018, there were 358 eligible employees in France, 533 eligible employees in Germany, 170 eligible employees in Ireland, 521 eligible employees in Romania and 663 eligible employees in the United Kingdom.

## 6.2 Net Proceeds

Assuming that (i) the 2,245 eligible employees in France, Germany, Ireland, Romania and the United Kingdom would purchase the maximum amount of Shares under the ESPP offered pursuant to this prospectus, that is, a total of 224 whole Shares each, for a maximum of \$42,250.88 in contributions per person, at \$188.62 (85% of a hypothetical Purchase Price of \$221.90 which was the closing price of the Shares on April 27, 2018), (ii) the Shares offered under the ESPP would all be newly issued and (iii) the July 2, 2018 and the January 2, 2019 Share prices, respectively, are less than the December 31, 2018 and June 28, 2019 Share prices, respectively, then the gross proceeds of Adobe in connection with the offer under the ESPP pursuant to this prospectus would be \$94,853,225.60. After deducting approximately \$90,000 in legal and accounting expenses in connection with the offer, the net proceeds would be approximately \$94,763,225.60. The net proceeds will be used for general corporate purposes.

## VII. DIRECTORS AND EXECUTIVE OFFICERS

### 7.1 Board of Directors as of April 12, 2018\*

<u>Name</u>	<u>Age</u>	<u>Director Since</u>
Amy Banse	58	2012
Edward Barnholt	74	2005
Robert Burgess	60	2005
Frank Calderoni	60	2012
James Daley	76	2001
Laura Desmond	52	2012
Charles Geschke	78	1983
Shantanu Narayen	54	2007
David Ricks	50	2018
Daniel Rosensweig	56	2009
John Warnock	77	1983

\* Ages and biographical information are as of March 2, 2018, except for Mr. Ricks, whose biographical information is as of April 12, 2018.

**Ms. Banse** serves as Managing Director and Head of Funds, Comcast Ventures and Senior Vice President, Comcast Corporation ("Comcast"), a global media and technology company. Prior to this role, she was President of Comcast Interactive Media ("CIM"), a division of Comcast responsible for developing Comcast's online strategy and operating Comcast's digital properties, including Fandango, Xfinity.com and Xfinitytv.com. Ms. Banse joined Comcast in 1991 and spent the early part of her career at Comcast overseeing the development of Comcast's cable network portfolio. Ms. Banse serves on the board of directors of The Clorox Company, a multinational manufacturer and marketer of consumer and professional products. She received a B.A. from Harvard and a J.D. from Temple University School of Law.

As the Managing Director and Head of Funds for Comcast Ventures and Senior Vice President, Comcast Corporation, as well as her prior executive positions, including President of CIM, Ms. Banse has extensive executive leadership experience, as well as extensive knowledge of financial and strategic issues. She also brings to the Board a deep expertise in global media and technology organizations in online business.

**Mr. Barnholt** served as President and Chief Executive Officer of Agilent Technologies, Inc. ("Agilent"), a measurement company, from March 1999 to March 2005 and as its Chairman of the Board from November 2002 until his retirement in March 2005. From 1990 to 1999, Mr. Barnholt served in several executive positions at Hewlett-Packard Company, a computer and electronics company, including serving as Executive Vice President and General Manager of its Measurements Organization. Mr. Barnholt currently serves on the board of directors of eBay Inc., a global online marketplace, and as Chairman of the Board of KLA-Tencor Corporation, a provider of process control and yield management solutions. Mr. Barnholt holds a B.S. and a M.S. in Electrical Engineering from Stanford University.

As the former President, Chief Executive Officer and Chairman of the Board of Agilent, as well as a former senior executive with Hewlett-Packard, Mr. Barnholt possesses significant leadership experience and operational expertise, including on matters particularly relevant to companies with complex technology and international issues. As a board member of two other public companies and a chairman of one of those companies, Mr. Barnholt also has strong corporate governance expertise and a global business perspective.

**Mr. Burgess** has been an independent consultant since December 2005. He served as Chief Executive Officer of Macromedia, Inc. ("Macromedia"), a provider of Internet and multimedia software, from November 1996 to January 2005. He also served on the board of directors of Macromedia from November 1996 until December 2005, as Chairman of the Board of Macromedia from July 1998 until December 2005 and as Executive Chairman of Macromedia from January 2005 until December 2005, when Macromedia was acquired by Adobe. Prior to joining Macromedia, Mr. Burgess held key executive positions at Silicon Graphics, Inc., a graphics and computing company, and from 1991 to 1995 served as Chief Executive Officer and a member of the board of directors of Alias Research, Inc., a publicly traded 3D software company, prior to its acquisition by Silicon Graphics. Mr. Burgess currently serves on the boards of NVIDIA Corporation, a provider of programmable graphics processing technologies, and Rogers Communications Inc., a diversified communications and media company. He previously served on the board of IMRIS Inc. from September 2010 to November 2013. Mr. Burgess holds a B.Com. from McMaster University in Canada and is a Canadian citizen.

As the former Executive Chairman, Chief Executive Officer and Chairman of the Board of Macromedia, as well as several other executive positions, Mr. Burgess has extensive executive leadership experience, as well as extensive knowledge of financial and strategic issues. He also possesses significant experience with business issues in technology organizations as a result of his former executive roles. With more than 20 years' experience as a board member of publicly traded companies, Mr. Burgess also has a broad understanding of the role and responsibilities of the Board and valuable insight on a number of significant issues in the technology industry.

**Mr. Calderoni** currently serves as the President and Chief Executive Officer of Anaplan, Inc. ("Anaplan"), a planning and performance management platform provider. Prior to joining Anaplan in January 2017, he served as Executive Vice President, Operations and Chief Financial Officer at Red Hat from June 2015 to December 2016. Until June 2015, he was an Executive Advisor at Cisco, a designer, manufacturer and seller of Internet Protocol (IP)-based networking and other products related to the communications and information technology industry. From 2008 to January 2015, Mr. Calderoni served as Executive Vice President and Chief Financial Officer at Cisco, managing the company's financial strategy and operations. He joined Cisco in 2004, where he held various VP level operations roles, from QLogic Corporation, a storage networking company where he was Senior Vice President and Chief Financial Officer. Prior to that, he was Senior Vice President, Finance and Administration and Chief Financial Officer for SanDisk Corporation, a flash data storage company. Before joining SanDisk, Mr. Calderoni spent 21 years at IBM, a global services, software and systems company, where he became Vice President and held controller responsibilities for several divisions within the company. Mr. Calderoni currently serves on the board of Palo Alto Networks, Inc., a network and enterprise security company. Mr. Calderoni holds a B.S. in Accounting and Finance from Fordham University and an M.B.A. in Finance from Pace University.

As a result of his position at Anaplan, as well as his past service as Chief Financial Officer of publicly traded global technology companies, Mr. Calderoni brings to the Board abundant financial expertise that includes extensive knowledge of the complex financial and operational issues facing large global companies, and a deep understanding of accounting principles and financial reporting rules and regulations. He provides the Board and Audit Committee with significant insight into the preparation of financial statements and knowledge of audit procedures. Through his senior executive positions, Mr. Calderoni has demonstrated his global leadership and business acumen.

**Mr. Daley** has served as our Lead Director since January 2017. Mr. Daley has been an independent consultant since his retirement in July 2003 from Electronic Data Systems Corporation ("EDS"), an information technology service company. Mr. Daley served as Executive Vice President and Chief Financial Officer of EDS from March 1999 to February 2003, and as its Executive Vice President of Client Solutions, Global Sales and Marketing from February 2003 to July 2003. From 1963 until his retirement in 1998, Mr. Daley was with Price Waterhouse, where he served as Co-Chairman-Operations and Vice-Chairman-International from 1988 to 1998. From 1985 to 1997 he was a member of the U.S. firm's Policy Board and from 1990 to 1998 a member of the firm's World Board. Mr. Daley holds a B.B.A. from Ohio University where he served for over twenty years as a Trustee of The Ohio University Foundation, including Chairing the Foundation's Board of Trustees from 1997 to 2002. Mr. Daley also served as a member of the Board of Directors of The Guardian Life Insurance Company of America for seventeen years where he Chaired the Board's Human Resources & Compensation Committee and the Product & Distribution Committee for a number of years.

With more than 35 years of service with the international accounting firm Price Waterhouse, as well as his past service as the Chief Financial Officer of a publicly traded global technology company, and his board level experience with Price Waterhouse, The Guardian Life Insurance Company of America and The Ohio University Foundation, Mr. Daley brings to the Board extensive expertise related to the business, operational and financial issues facing large global technology corporations, as well as a comprehensive understanding of international business, regulatory compliance and corporate governance matters.

**Ms. Desmond** has been a member of the Board since 2012. She is currently Founder/Chief Executive Officer of Eagle Vista Partners, a strategic advisory and investment firm focused on marketing and digital technology. Prior to this, she was the Chief Revenue Officer of Publicis Groupe, a group of global marketing, communication and business transformation companies from December 2016 to December 2017. From 2008 to December 2016 she was the Global Chief Executive Officer of Starcom MediaVest Group ("SMG"), a global marketing and media services company which is part of the Publicis Groupe. Prior to her appointment as Global Chief Executive Officer in 2008, Ms. Desmond was Chief Executive Officer of SMG - The Americas from 2007 to 2008 where she managed a network spanning the United States, Canada and Latin America. She was Chief Executive Officer of MediaVest, based in New York, from 2003 to 2007, and from 2000 to 2002 she was Chief Executive Officer of SMG's Latin America group. Ms. Desmond previously served as a director of Tremor Video, Inc. from January 2012 to September 2013. She holds a B.B.A. in Marketing from the University of Iowa.

With her experience as Chief Revenue Officer of Publicis Groupe and Global Chief Executive Officer of SMG, Ms. Desmond brings to the Board a deep expertise in global media and marketing technology organizations, leadership capabilities, financial acumen and business acumen. In addition, her past service on other boards gives her valuable knowledge and perspective. As an expert in the marketing space, Ms. Desmond speaks frequently with Adobe's management outside of scheduled board meetings to provide specific insight regarding Adobe's Digital Experience business.

**Dr. Geschke** was a founder of Adobe and served as our Chairman of the Board from September 1997 to January 2017, sharing that office with Dr. John E. Warnock. Dr. Geschke was our Chief Operating Officer from December 1986 until July 1994 and our President from April 1989 until his retirement in April 2000. He holds a Ph.D. in Computer Science from Carnegie Mellon University as well as an M.S. in Mathematics and an A.B. in Classics, both from Xavier University.

As a co-founder of Adobe and its former President and Chief Operating Officer, Dr. Geschke has experience growing Adobe from a start-up to a large publicly traded company. His nearly 20 years of executive and technological leadership at Adobe provide the Board with significant leadership, operations and technology experience, as well as important perspectives on innovation, management development, and global challenges and opportunities. As former Co-Chairman of the Board, Dr. Geschke has a strong understanding of his role as a director and a broad perspective on key industry issues and corporate governance matters.

**Mr. Narayen** currently serves as our President, Chief Executive Officer and Chairman of the Board. He joined Adobe in January 1998 as Vice President and General Manager of our engineering technology group. In January 1999, he was promoted to Senior Vice President, Worldwide Products, and in March 2001 he was promoted to Executive Vice President, Worldwide Product Marketing and Development. In January 2005, Mr. Narayen was promoted to President and Chief Operating Officer, and effective December 2007, he was appointed our Chief Executive Officer and joined our Board of Directors. In January 2017, he was named our Chairman of the Board. Mr. Narayen serves on the board of directors of Pfizer, a multinational pharmaceutical corporation. He previously served as a director of Dell Technologies Inc. from September 2009 to October 2013. Mr. Narayen holds a B.S. in Electronics Engineering from Osmania University in India, a M.S. in Computer Science from Bowling Green State University and an M.B.A. from the Haas School of Business, University of California, Berkeley.

As our President, Chief Executive Officer, Chairman of the Board and as an Adobe employee for more than 20 years, Mr. Narayen brings to the Board extensive leadership and industry experience, including a deep knowledge and understanding of our business, operations and employees, the opportunities and risks faced by Adobe, and management's current and future strategy and plans. In addition, his service on other boards gives him a strong understanding of his role as a director and a broad perspective on key industry issues and corporate governance matters.

**Mr. Ricks** currently serves as Chief Executive Officer of Eli Lilly and Company and became Chairman of the Eli Lilly and Company Board of Directors in June 2017. Prior to January 2017, Mr. Ricks served as President of Lilly Bio-Medicines. From 2009 to 2012, he served as President of Lilly USA, the company's largest affiliate. Mr. Ricks served as President and General Manager of Lilly China, operating in one of the world's fastest-growing emerging markets, from 2008 to 2009. He was general manager of Lilly Canada from 2005 to 2008, after roles as Director of Pharmaceutical Marketing and National Sales Director in Canada. Mr. Ricks joined Eli Lilly and Company in 1996 as a Business Development Associate and held several management roles in U.S. marketing and sales before moving to Lilly Canada. Mr. Ricks earned a Bachelor of Science from Purdue University in 1990 and an MBA from Indiana University in 1996.

As a result of his years of global experience as President, and recently, as CEO of Eli Lilly and Company, Mr. Ricks brings to the Board executive leadership, marketing, sales and financial expertise, business acumen and relevant worldwide operational insight.

**Mr. Rosensweig** is currently President, Chief Executive Officer and Chairman of the board of directors of Chegg.com, an online textbook rental company. Prior to joining Chegg.com in February 2010, Mr. Rosensweig served as President and Chief Executive Officer of RedOctane, a business unit of Activision Publishing, Inc., a developer, publisher and distributor of interactive entertainment and leisure products. Prior to joining RedOctane in March 2009, Mr. Rosensweig was an Operating Principal at the Quadrangle Group, a private investment firm. Prior to joining the Quadrangle Group in August 2007, Mr. Rosensweig served as Chief Operating Officer of Yahoo! Inc., which he joined in April 2002. Prior to joining Yahoo!, Mr. Rosensweig was President of CNET Networks, Inc., an interactive media company, which he joined in October 2000. Mr. Rosensweig served for 18 years with Ziff-Davis, an integrated media and marketing services company, including roles as President and Chief Executive Officer of its subsidiary ZDNet, from 1997 until 2000 when ZDNet was acquired by CNET. Mr. Rosensweig served on the board of directors of Time Inc., a media company comprised of many global news and culture brands, from June 2017 to January 2018. Mr. Rosensweig holds a B.A. in Political Science from Hobart College.



As a result of his current executive position at Chegg.com, as well as his former positions as a senior executive at global media and technology organizations, Mr. Rosensweig provides the Board with extensive and relevant executive leadership, worldwide operations and technology industry experience.

**Dr. Warnock** was a founder of Adobe and was our Chairman of the Board from April 1989 to January 2017. From September 1997 to January 2017, he shared the position of Chairman with Dr. Charles M. Geschke. Dr. Warnock served as our Chief Executive Officer from 1982 until December 2000. From December 2000 until his retirement in March 2001, Dr. Warnock served as our Chief Technical Officer. Dr. Warnock currently serves as Chairman of the Board of Salon Media Group. Dr. Warnock holds a Ph.D. in Electrical Engineering, an M.S. in Mathematics, and a B.S. in Mathematics and Philosophy from the University of Utah.

As a co-founder of Adobe and its former Chief Executive Officer, Chief Technical Officer and Chairman of the Board, Dr. Warnock has experience growing Adobe from a start-up to a large publicly traded company. His nearly 20 years of executive and technological leadership at Adobe provide the Board with significant leadership, operations and technology experience, as well as important perspectives on innovation, management development, and global challenges and opportunities. As former Chairman of the boards of Adobe and Salon, Dr. Warnock has a strong understanding of his role as a director and a broad perspective on key industry issues and corporate governance matters.

## 7.2 Executive Officers as of April 12, 2018\*

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>
Shantanu Narayen	54	President, Chief Executive Officer, and Chairman of the Board
John Murphy	49	Executive Vice President, Chief Financial Officer
Matthew Thompson	59	Executive Vice President, Worldwide Field Operations
Michael Dillon	59	Executive Vice President, General Counsel and Corporate Secretary
Bryan Lamkin	57	Executive Vice President and General Manager, Digital Media
Ann Lewnes	56	Executive Vice President and Chief Marketing Officer
Donna Morris	50	Executive Vice President, Customer and Employee Experience
Abhay Parasnis	43	Executive Vice President and Chief Technology Officer
Bradley Rencher	44	Executive Vice President and General Manager, Digital Experience
Scott Belsky	37	Chief Product Officer and Executive Vice President, Creative Cloud

\* Ages and biographical information are as of January 12, 2018, except for Mr. Murphy whose biographical information is as of April 9, 2018.

**Mr. Narayen.** For information concerning Mr. Narayen, please see Section 7.1 above.

**Mr. Murphy** currently serves as Executive Vice President, Chief Financial Officer. Mr. Murphy joined Adobe in March 2017 as our Senior Vice President, Chief Accounting Officer and Corporate Controller. Prior to joining Adobe, Mr. Murphy served as Senior Vice President, Chief Accounting Officer and Corporate Controller of Qualcomm Incorporated from September 2014 to March 2017. He previously served as Senior Vice President, Controller and Chief Accounting Officer of DIRECTV Inc. from November 2007 until August 2014, and Vice President and General Auditor of DIRECTV from October 2004 to November 2007. Prior to joining DIRECTV he worked at several global companies, including Experian, Nestle, and Atlantic Richfield (ARCO), in a variety of finance and accounting roles. He served as Director of DirecTV Holdings LLC from November 2007 until August 2014. Mr. Murphy serves on the Corporate Advisory Board of the Marshall School of Business at the University of Southern California. He

holds an MBA from the Marshall School of Business at the University of Southern California, a B.S. in Accounting from Fordham University and is a Certified Public Accountant.

**Mr. Thompson** currently serves as Executive Vice President, Worldwide Field Operations. Mr. Thompson joined Adobe in January 2007 as Senior Vice President, Worldwide Field Operations. In January 2013, he was promoted to Executive Vice President, Worldwide Field Operations. Prior to joining Adobe, Mr. Thompson served as Senior Vice President of Worldwide Sales at Borland Software Corporation, a software delivery optimization solutions provider, from October 2003 to December 2006. Prior to joining Borland, Mr. Thompson was Vice President of Worldwide Sales and Field Operations for Marimba, Inc., a provider of products and services for software change and configuration management, from February 2001 to January 2003. From July 2000 to January 2001, Mr. Thompson was Vice President of Worldwide Sales for Calico Commerce, Inc., a provider of eBusiness applications. Prior to joining Calico, Mr. Thompson spent six years at Cadence Design Systems, Inc., a provider of electronic design technologies. While at Cadence, from January 1998 to June 2000, Mr. Thompson served as Senior Vice President, Worldwide Sales and Field Operations and from April 1994 to January 1998 as Vice President, Worldwide Professional Services. Mr. Thompson is a board member of NCR Corporation.

**Mr. Dillon** joined Adobe in August 2012 as Senior Vice President, General Counsel and Corporate Secretary. Prior to joining Adobe, Mr. Dillon served as General Counsel and Corporate Secretary of Silver Spring Networks, a networking solutions provider, from November 2010 to August 2012. Before joining Silver Spring Networks, Mr. Dillon served in various capacities at Sun Microsystems, a diversified computer networking company, prior to its acquisition by Oracle Corporation. While at Sun Microsystems, from April 2006 to January 2010, Mr. Dillon served as Executive Vice President, General Counsel and Secretary, from April 2004 to April 2006, as Senior Vice President, General Counsel and Corporate Secretary, and from July 2002 to March 2004 as Vice President, Products Law Group. From October 1999 until June 2002, Mr. Dillon served as Vice President, General Counsel and Corporate Secretary of ONI Systems Corp, an optical networking company. Mr. Dillon is a board member of the Adventure Cycling Association, Business Software Alliance, and the Adobe Foundation.

**Mr. Lamkin** currently serves as Executive Vice President and General Manager, Digital Media. He rejoined Adobe in February 2013 as Senior Vice President, Technology and Corporate Development. From June 2011 to May 2012, Mr. Lamkin served as President and Chief Executive Officer of Clover, a mobile payments platform. Prior to Clover, Mr. Lamkin co-founded and served as the Chief Executive Officer of Bagcheck, a sharing and discovery platform, from June 2010 to May 2011. From April 2009 to June 2010, Mr. Lamkin served as Senior Vice President of Consumer Products and Applications at Yahoo!, a global technology company providing online search, content and communication tools. From May 2008 to April 2009, Mr. Lamkin served as Executive in Residence at Sutter Hill Ventures. Mr. Lamkin previously was with Adobe from 1992 to 2006 and held various senior management positions including Senior Vice President, Creative Solutions Business Unit.

**Ms. Lewnes** joined Adobe in November 2006 and currently serves as Executive Vice President and Chief Marketing Officer. Prior to joining Adobe, Ms. Lewnes spent 20 years at Intel Corporation, where she was Vice President of Sales and Marketing. Ms. Lewnes is a board member of Mattel, The Ad Council, and the Adobe Foundation.

**Ms. Morris** currently serves as Executive Vice President of Adobe's Global Customer and Employee Experience organization. Ms. Morris joined Adobe as Senior Director of Global Talent Management in April 2002 through the acquisition of Accelio Corporation, a Canadian software company, where she served as Vice President of Human Resources and Learning. In December 2005, Ms. Morris was promoted to Vice President, Global Human Resources Operations and subsequently to Senior Vice President, Human Resources in March 2007. Ms. Morris is a director of the Society for Human Resource Management and the Adobe Foundation.

**Mr. Parasnis** joined Adobe in July 2015 as Senior Vice President of Adobe's Cloud Technology & Services organization and Chief Technology Officer. Prior to joining Adobe, he served as President and Chief Operating Officer at Kony, Inc. from March 2013 to March 2015. From January 2012 to November

2013, Mr. Parasnis was a Senior Vice President and later Strategic Advisor for the Oracle Public Cloud at Oracle. Prior to joining Oracle, he was General Manager of Microsoft Azure AppFabric at Microsoft from April 2009 to December 2011.

**Mr. Rencher** serves as Executive Vice President and General Manager of Adobe's Digital Experience business unit. Mr. Rencher joined Omniture, Inc. in January 2008 as Vice President of Corporate Development and was promoted to Senior Vice President of Business Operations prior to Adobe's acquisition of Omniture in 2009. Following the acquisition he joined Adobe as Vice President of Business Operations. Mr. Rencher was promoted to Vice President and General Manager, Omniture business unit in 2010 and subsequently to Senior Vice President in 2011. Prior to joining Omniture, Mr. Rencher was a member of the technology investment banking team at Morgan Stanley from 2005 to 2008 and a member of the investment banking team at RBC Capital Markets from 1998 to 2004. Mr. Rencher is a director of Pluralsight and the Utah Symphony.

**Mr. Belsky** joined Adobe in December 2017 as Executive Vice President and Chief Product Officer, Creative Cloud. Prior to joining Adobe in December 2017, Belsky was a venture investor at Benchmark in San Francisco from February 2016 to December 2017. Prior to Benchmark, Belsky led Adobe's mobile strategy for Creative Cloud from December 2012 to January 2016, having joined the company through the acquisition of Behance. Belsky co-founded Behance in 2006 and served as its Chief Executive Officer for over 6 years. He is an early advisor and investor to Pinterest, Uber, and Warby Parker among other early-stage companies, and co-founded and serves on the Board of Prefer, a referrals platform that empowers the careers of independent professionals. Mr. Belsky serves on the advisory board of Cornell University's Entrepreneurship Program and is President of the Smithsonian Cooper-Hewitt National Design Museum board of trustees.

### 7.3 Fraudulent Offences and Bankruptcy, Etc.

For at least the last five years, none of the directors or executive officers of Adobe has:

- (a) been convicted in relation to fraudulent offenses;
- (b) been associated with any bankruptcies, receiverships or liquidations when acting in their capacity of directors or executive officers of Adobe; or
- (c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There is no family relationship among any Adobe executive officers or directors.

### 7.4 Conflicts of Interest

#### *Independence of Directors*

As required by the Nasdaq listing standards, a majority of the members of our Board must qualify as "independent," as affirmatively determined by our Board. Our Board consults with our legal counsel to ensure that its determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in the applicable Nasdaq listing standards.

After review of all relevant transactions and relationships between each director, any of their family members, Adobe, our executive officers and our independent registered public accounting firm, the Board has affirmatively determined that a majority of our Board is comprised of independent directors. Our

current independent directors are: Ms. Banse, Mr. Barnholt, Mr. Burgess, Mr. Calderoni, Mr. Daley, Ms. Desmond, Dr. Geschke, Mr. Rosensweig and Dr. Warnock.

### ***Perquisites and Additional Benefits and Programs***

We provide limited perquisites to our executives, including our Named Executive Officers ("NEOs") identified in the "Executive Compensation—Summary Compensation Table" in Adobe's Definitive Proxy Statement, filed with the SEC on March 2, 2018 ("Adobe's Proxy Statement"). In considering potential perquisites, the Committee considers the cost to Adobe as compared to the perceived value to our employees as well as other corporate governance and employee relations factors. We offer our executives at the director level and above, including our NEOs, an annual comprehensive physical examination that is fully funded by Adobe, as an added benefit to the Adobe medical insurance provided. Alternatively, our NEOs may choose to enroll in a health concierge service. Adobe recognizes the significant role of its executives and offers this program to encourage a focus on keeping well.

In addition, we maintain limited memberships in private jet programs. Our policy related to these programs, adopted to enable efficient travel, allows our Chief Executive Officer the use of a private jet for business travel only. A limited number of other executive officers and employees may accompany our Chief Executive Officer only if required for business purposes, and none of our executives or employees are permitted to use our private jet program for non-business-related travel. Our policy allows family members to accompany the Chief Executive Officer during business travel only if additional costs for the family members are paid for by the Chief Executive Officer. The Chief Executive Officer complied with this policy at all times during fiscal year 2017.

We also provide the following benefits to our NEOs, on the same terms and conditions as provided to all other eligible employees: health, dental and vision insurance; life insurance; an ESPP; health savings account; medical and dependent care flexible spending account; and short- and long-term disability, accidental death and dismemberment insurance. We believe these benefits are consistent with benefits provided by companies with which we compete for executive-level talent.

### ***Employment Agreements***

Each of our NEOs is employed "at will." Except in limited circumstances, such as when an employment agreement that provides for severance is assumed or renegotiated as part of a corporate transaction, we only enter into agreements providing for severance benefits with our U.S. executive officers in relation to a change of control of Adobe or an executive transition plan.

### ***Severance and Change of Control Compensation***

The Committee believes that change of control vesting and severance benefits, if structured appropriately, serve to minimize the distraction caused by a potential transaction and reduce the risk that an executive departs Adobe before an acquisition is consummated. The Committee and the company believe that a pre-existing plan will allow our executives to focus on continuing normal business operations and on the success of a potential business combination, rather than on seeking alternative employment. Further, a pre-existing plan ensures stability and will enable our executives to maintain a balanced perspective in making overall business decisions during a potentially uncertain period. To that end, Adobe provides certain change of control benefits as described below.

Each of our NEOs is an eligible participant in our 2017 Executive Severance Plan in the Event of a Change of Control (the "Change of Control Plan"). The Change of Control Plan provides for severance payments and fully accelerated vesting of outstanding equity awards for our NEOs and other members of senior management upon an involuntary termination of employment upon or following a qualifying change of control. The terms of the Change of Control Plan are described below.

We also maintain a Retention Agreement with Mr. Narayen, which provides similar benefits but does not require termination of his employment in order for him to receive the equity acceleration, as described below under "Change of Control." Mr. Narayen's original Retention Agreement, dated January 12, 1998, was amended February 11, 2008 based on his promotion to Chief Executive Officer, and was further amended on December 11, 2010 and December 5, 2014 in order to clarify the manner of compliance with, or exemption from, Internal Revenue Code Section 409A.

The Change of Control Plan and the Retention Agreement with Mr. Narayen do not provide for reimbursements or "gross-ups" of excise tax amounts under Section 4999 of the Code. Rather, under both of these arrangements, benefits would be reduced if doing so would result in a better after-tax economic position for the affected executive. The Committee and the Company believe this is an appropriate allocation of the tax cost of these arrangements between Adobe and the executive and is consistent with market practice.

Our change of control arrangements are designed to be competitive with the pay practices of our peer group. The Committee periodically reviews the terms and conditions of our change of control arrangements and will make adjustments when and to the extent it deems appropriate. The Change of Control Plan will expire on December 13, 2020.

Additional details regarding our Change of Control Plan and the Retention Agreement with Mr. Narayen, including estimates of amounts payable in specified circumstances as of the last day of fiscal year 2017, are disclosed in the "Executive Compensation—Change of Control—Potential Payments upon Termination and/or a Change of Control" table contained in Adobe's Proxy Statement.

### ***Change of Control***

Each of the NEOs is eligible to receive severance benefits in the event of certain terminations of employment upon or after a change of control of Adobe, pursuant to the terms of our Change of Control Plan applicable to each of our current NEOs or, in the case of our Chief Executive Officer, upon or after a change of control of Adobe, in some cases whether or not his employment is terminated, pursuant to his Retention Agreement. Mr. Narayen would need to waive all benefits under his Retention Agreement to receive any benefits under the Change of Control Plan.

The terms of the Change of Control Plan are described below.

### ***Change of Control Terms***

*Change of Control Plan.* Each of our NEOs is an eligible participant in our 2017 Change of Control Plan. The Change of Control Plan will expire on December 13, 2020, unless extended by Adobe. If a change of control occurs prior to its expiration, the Change of Control Plan will terminate following the later of the date which is twelve months after the occurrence of a change of control or the payment of all severance benefits due under the Change of Control Plan.

Pursuant to the Change of Control Plan, if there is a qualifying change of control of Adobe (as defined in the plan), and within three months prior and twelve months following the change of control, Messrs. Murphy, Thompson, Lamkin or Rencher experience a separation from service as a result of Adobe (or any successor) terminating his employment without cause (and not due to death or disability), or if he resigns for good reason, such executive officer would be eligible to receive:

- twenty-four months of salary and target bonus;
- a lump sum payment equal to eighteen months of COBRA (Consolidated Omnibus Budget Reconciliation Act) premiums for the eligible executive and covered dependents; and

- accelerated vesting of all outstanding equity awards (including, for performance shares, solely to the extent shares are credited to the executive based upon performance achieved as of the change of control).

In the event that any amount under the Change of Control Plan would constitute an excess parachute payment within the meaning of Section 280G of the Code, the amounts payable will not exceed the amount which produces the greatest after-tax benefit to the affected individual. All of the benefits under the Change of Control Plan are conditioned upon the executive officer signing a release of claims.

*Chief Executive Officer Retention Agreement.* Effective January 12, 1998, Adobe entered into a Retention Agreement with Mr. Narayan, which has been amended three times: the first time effective February 11, 2008, based on his promotion to Chief Executive Officer, and the second and third times on December 17, 2010 and December 5, 2014, respectively, both times in order to clarify the manner of compliance with, or exemption from, Section 409A of the Code, in light of updates to, and interpretations of, applicable tax regulations.

Pursuant to his Retention Agreement, if there is a qualifying change of control of Adobe (as defined in the agreement), and prior to or within two years following the change of control Mr. Narayan experiences a separation from service as a result of Adobe (or any successor) terminating his employment without cause, or as a result of his disability, or if he resigns for good reason, Mr. Narayan would be eligible to receive:

- thirty-six months of salary and target bonus;
- pro-rata target bonus for the fiscal year of termination based on the base salary then in effect; and
- COBRA premiums for him and covered dependents until the earlier of (1) the last month in which he and his covered dependents are eligible for and enrolled in COBRA coverage and (2) thirty-six months.

Upon a change of control, regardless of whether his employment is terminated, Mr. Narayan would be eligible to receive accelerated vesting of all outstanding equity awards (including, for performance shares, solely to the extent shares are credited to him based upon performance achieved at the change of control) and any stock options would become fully exercisable.

In the event that any amount under Mr. Narayan's Retention Agreement would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the amounts payable will not exceed the amount which produces the greatest after-tax benefit to Mr. Narayan. All benefits provided under the Retention Agreement are conditioned upon his signing a release of claims. The Retention Agreement has no expiration date.

#### 2003 Plan

See "Proposal 2—Summary of the 2003 Plan—Change of Control" in Adobe's Proxy Statement for a description of the treatment of awards under the 2003 Equity Incentive Plan, as amended ("2003 Plan") in the event of a change of control.

#### Performance Share Programs

Pursuant to our Performance Share Programs in 2015, 2016 and 2017, in the event of a change of control prior to the certification date, the performance period will be shortened and the Committee will determine the level of achievement and the number of shares credited as of immediately prior to the date of the change of control, but the applicable time-based service vesting requirements will continue to apply. The Change of Control Plan, as applicable, and Mr. Narayan's Retention Agreement provide for

acceleration of the applicable time-based service vesting requirements under our Performance Share Programs for the awards held by the NEOs, as described above.

*Potential Payments upon Termination and/or a Change of Control*

The table on pages 56 - 58 of Adobe's Proxy Statement ("COC Table") sets forth the estimated potential payments and benefits payable to each NEO under the Change of Control Plan (which was in effect on December 1, 2017), and in the case of Mr. Narayen, his Retention Agreement, in the event of a termination of employment and/or a change of control of Adobe ("COC"), as if such termination or COC event had occurred on December 1, 2017, the last day of fiscal year 2017. The value of the equity awards is based on the closing market price of the Shares as reported on Nasdaq on December 1, 2017, which was \$179.52 per share. Each NEO must sign a release of claims to receive any of the benefits in the COC Table except those for Death/Disability, COC Only (continued employment), or COC Only/Equity Not Assumed or Substituted.

***Transactions with Related Persons***

*Review, Approval or Ratification of Transactions with Related Persons*

Adobe's Code of Business Conduct requires that all employees and directors avoid conflicts of interests that interfere, or appear to interfere, with their ability to act in the best interests of Adobe.

In addition, pursuant to its written charter, the Nominating and Governance Committee considers and approves or disapproves any related person transaction as defined under Item 404 of Regulation S-K, after examining each such transaction for potential conflicts of interest and other improprieties. The Nominating and Governance Committee has not adopted any specific written procedures for conducting such reviews and considers each transaction in light of the specific facts and circumstances presented.

*Transactions with Related Persons*

Since the beginning of fiscal year 2017, there have not been any transactions, nor are there any currently proposed transactions, in which Adobe was or is to be a participant, where the amount involved exceeded \$120,000, and in which any related person had or will have a direct or indirect material interest. As is the case with most multinational corporations, from time to time in the ordinary course of business we engage in arms-length transactions with companies in which members of the Board or our executive team have professional relationships.

**VIII. EMPLOYEES**

**8.1 Directors' and Executive Officers' Holdings of Shares and Options**

The following table sets forth the beneficial ownership of the Shares as of February 14, 2018 by each of our directors, each NEO and all of our directors and current executive officers as a group.

To the best of Adobe's knowledge, as of the date of the prospectus, Adobe's directors and executive officers listed in Sections 7.1 and 7.2, respectively, hold, individually or as a group, less than 1% of the Shares representing Adobe's capital stock.

<u>Name of Beneficial Owner(1)</u>	<u>Amount and Nature of Beneficial Ownership(2)(3)</u>	<u>Percent of Class(4)</u>
Shantanu Narayen	299,514 (5)	*
Mark Garrett	50,000 (6)	*
Bryan Lamkin	60,154	*

Name of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)(3)	Percent of Class(4)
Bradley Rencher	94,830	*
Matthew Thompson	50,000 (7)	*
Amy Banse	33,488 (8)	*
Edward Barnholt	42,960 (9)	*
Robert Burgess	16,030 (10)	*
Frank Calderoni	25,887 (11)	*
James Daley	32,922 (12)	*
Laura Desmond	25,887 (13)	*
Charles Geschke	212,081 (14)	*
Daniel Rosensweig	13,104 (15)	*
John Warnock	492,344 (16)	*
All directors and current executive officers as a group (20 persons)	1,670,786 (17)	*

\* Less than 1%

- (1) The address of each person named in the table, unless otherwise indicated, is c/o Adobe Systems Incorporated, 345 Park Avenue, San Jose, California 95110, U.S.A.
- (2) This table is based upon information supplied by executive officers, directors and principal stockholders, as well as beneficial ownership reports filed with the SEC. Unless otherwise indicated in the footnotes to this table, and subject to community property laws where applicable, each of the stockholders named in this table has sole voting and investment power with respect to the Shares indicated as beneficially owned. None of the Shares beneficially owned by our executive officers and directors are pledged as security.
- (3) Holdings reported include any equity awards deferred under our deferred compensation plan.
- (4) Applicable percentages are based on 493,333,487 Shares outstanding on February 14, 2018, adjusted as required by rules promulgated by the SEC.
- (5) Shares held by the Narayen Family Trust, of which Mr. Narayen is a trustee.
- (6) Shares held by the Garrett Living Trust, of which Mr. Garrett is a trustee. Mr. Garrett retired from his position as the Company's Executive Vice President and Chief Financial Officer on April 9, 2018.
- (7) Shares held by the Thompson Living Trust, of which Mr. Thompson is a trustee.
- (8) Includes 2,035 Shares issuable within 60 days of the date of this table upon vesting of restricted stock units ("RSUs") held by Ms. Banse.
- (9) Consists of 5,000 Shares held by a family trust, of which Mr. Barnholt is a trustee; 35,925 Shares held by Mr. Barnholt; and 2,035 Shares issuable within 60 days of the date of this table upon vesting of RSUs held by Mr. Barnholt.
- (10) Consists of 1,620 Shares, for which Mr. Burgess has shared voting and dispositive power, held in trust for the benefit of his children; 12,375 Shares held by Mr. Burgess; and 2,035 Shares issuable within 60 days of the date of this table upon vesting of RSUs held by Mr. Burgess.
- (11) Includes 2,035 Shares issuable within 60 days of the date of this table upon vesting of RSUs held by Mr. Calderoni.
- (12) Includes 2,035 Shares issuable within 60 days of the date of this table upon vesting of RSUs held by Mr. Daley.
- (13) Includes 2,035 Shares issuable within 60 days of the date of this table upon vesting of RSUs held by Ms. Desmond.
- (14) Consists of 172,024 Shares held by the Geschke Family Trust, of which Dr. Geschke is a trustee, and 40,057 Shares issuable within 60 days of the date of this table upon vesting of RSUs or the exercise of outstanding exercisable options held by Dr. Geschke.
- (15) Consists of 2,268 Shares held by The Rosensweig 2012 Irrevocable Children's Trust, of which Mr. Rosensweig is a trustee, 8,801 Shares held by Mr. Rosensweig, and 2,035 Shares issuable within 60 days of the date of this table upon vesting of RSUs held by Mr. Rosensweig.
- (16) Consists of 474,221 Shares held by the Warnock Family Trust, of which Dr. Warnock is a trustee; 16,088 Shares held by Dr. Warnock; and 2,035 Shares issuable within 60 days of the date of this table upon vesting of RSUs held by Dr. Warnock.



(17) Includes 62,087 Shares issuable within 60 days of the date of this table upon vesting of RSUs or the exercise of outstanding exercisable options held by our directors and current executive officers. See also footnotes 5 through 17.

## **8.2 Stock Plans**

Our stock-based compensation programs are long-term retention programs that are intended to attract, retain and provide incentives for employees, officers and directors, and to align stockholder and employee interests. We have the following stock-based compensation plans and programs:

### ***Restricted Stock Unit Plan***

We grant RSUs to eligible employees under the 2003 Plan. RSUs granted as part of our annual review process or for promotions vest annually over three years. RSUs granted to new hires generally vest over four years. Certain grants have other vesting periods approved by the Board or an authorized committee.

We grant performance awards to officers and key employees under the 2003 Plan which cliff-vest after three years.

As of December 1, 2017, we had reserved 183.2 million Shares for issuance under the 2003 Plan and as of January 26, 2018, we had 44.9 million Shares available for grant. At the annual meeting held on April 12, 2018, our stockholders approved the increase of the number of Shares reserved for issuance under the 2003 Plan by 7.5 million Shares.

For further information, please see Note 9. Stock-Based Compensation on pages 17 – 20 of Adobe's Form 10-Q.

### ***Employee Stock Purchase Plan***

The ESPP allows eligible employee participants to purchase Shares at a discount through payroll deductions. The ESPP consists of a twenty-four month Offering Period with four six-month Purchase Periods in each Offering Period. Employees purchase Shares in each Purchase Period at 85% of the market value of the Shares at either the beginning of the Offering Period or the end of the Purchase Period, whichever price is lower. The ESPP will continue until the earlier of (i) termination by the Board or (ii) the date on which all of the Shares available for issuance under the plan have been issued.

As of May 1, 2018, we had reserved 93.0 million Shares for issuance under the ESPP and approximately 6.4 million Shares remain available for future issuance.

For further information, please see Note 9. Stock-Based Compensation on pages 17 – 20 of Adobe's Form 10-Q.

### ***Stock Option Plan***

The 2003 Plan allows us to grant options to all employees, including executive officers, outside consultants and non-employee directors. This plan will continue until the earlier of (i) termination by the Board or (ii) the date on which all of the Shares available for issuance under the plan have been issued and restrictions on issued Shares have lapsed. Option vesting periods used in the past were generally four years and expire seven years from the effective date of grant.

We eliminated the use of stock option grants for all employees effective fiscal 2012, and for all of the non-employee directors effective fiscal 2014, but may choose to issue stock options in the future.

For further information, please see Note 9. Stock-Based Compensation on pages 17 – 20 of Adobe's Form 10-Q.

### **Performance Share Programs**

Our 2018, 2017, and 2016 Performance Share Programs aim to help focus key employees on building stockholder value, provide significant award potential for achieving outstanding Company performance and enhance the ability of the Company to attract and retain highly talented and competent individuals. The Executive Compensation Committee of the Board approves the terms of each of our Performance Share Programs, including the award calculation methodology, under the terms of our 2003 Plan. Shares may be earned based on the achievement of an objective relative total stockholder return measured over a three-year performance period. Performance share awards will be awarded and fully vest upon the later of the Executive Compensation Committee's certification of the level of achievement or the three-year anniversary of each grant. Program participants generally have the ability to receive up to 200% of the target number of shares originally granted.

On January 24, 2018, the Executive Compensation Committee approved the 2018 Performance Share Program, the terms of which are similar to prior year performance share programs as discussed above. As of March 2, 2018, the shares awarded under our 2018, 2017, and 2016 Performance Share Programs are yet to be achieved.

For further information, please see Note 9. Stock-Based Compensation on pages 17 – 20 of Adobe's Form 10-Q.

### **Issuance of Shares**

Upon exercise of stock options, vesting of RSUs and performance shares, and purchases of Shares under the ESPP, we will issue treasury stock. If treasury stock is not available, Shares will be issued. In order to minimize the impact of on-going dilution from exercises of stock options and vesting of RSUs and performance shares, we instituted a stock repurchase program. See Note 12 in Adobe's Form 10-K for information regarding our stock repurchase programs, and Element B.4a included in the prospectus summary of this prospectus.

## **IX. WORKING CAPITAL STATEMENT**

Based on its current business plan and revenue prospects, Adobe believes that its existing cash, cash equivalents and investment balances, its anticipated cash flows from operations and its available credit facility will be sufficient to meet its working capital and operating resource expenditure requirements (including debt service) for the next twelve months.

## **X. SELECTED FINANCIAL INFORMATION**

### **10.1 Selected Financial Data**

The selected financial data of Adobe set out in this prospectus have been derived in part from Adobe's consolidated financial statements prepared in accordance with U.S. GAAP. They are derived in part from and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and Adobe's consolidated financial statements and notes thereto appearing respectively on pages 35 – 53 and 57 – 96 of Adobe's Form 10-K, and its condensed consolidated financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing respectively on pages 3 – 26 and 27 – 39 of Adobe's Form 10-Q.

**SELECTED THREE-YEAR FINANCIAL DATA**  
(In thousands of US Dollars, except per share amounts and employee data)

	Fiscal Years		
	2017	2016	2015
<b>Operations:</b>			
Revenue	\$ 7,301,505	\$ 5,854,430	\$ 4,795,511
Gross profit	\$ 6,291,014	\$ 5,034,522	\$ 4,051,194
Income before income taxes	\$ 2,137,641	\$ 1,435,138	\$ 873,781
Net income	\$ 1,693,954	\$ 1,168,782	\$ 629,551
<b>Net income per Share:</b>			
Basic	\$ 3.43	\$ 2.35	\$ 1.26
Diluted	\$ 3.38	\$ 2.32	\$ 1.24
Shares used to compute basic net income per Share	493,632	498,345	498,764
Shares used to compute diluted net income per Share	501,123	504,299	507,164
Cash dividends declared per Share	\$ —	\$ —	\$ —
<b>Financial position:(1)</b>			
Cash, cash equivalents and short-term investments	\$ 5,819,774	\$ 4,761,300	\$ 3,988,084
Working capital	\$ 3,720,356	\$ 3,028,139	\$ 2,608,336
Total assets	\$ 14,535,556	\$ 12,697,246	\$ 11,714,500
Debt and capital lease obligations, non-current	\$ 1,881,421	\$ 1,892,200	\$ 1,895,259
Stockholders' equity	\$ 8,459,869	\$ 7,424,835	\$ 7,001,580
<b>Additional data:</b>			
Worldwide employees	17,973	15,706	13,893

(2) Information associated with Adobe's financial position is as of the Friday closest to November 30 for the three fiscal periods through 2017.

**SELECTED QUARTERLY DATA**  
(In thousands of US Dollars, except per share data) (Unaudited)

	Three months ended	
	March 2, 2018	March 3, 2017
<b>Condensed Consolidated Statements of Income Data</b>		
Total revenue	\$ 2,078,947	\$ 1,681,646
Gross profit	\$ 1,820,045	\$ 1,444,309
Income before income taxes	\$ 702,502	\$ 460,632
Net income	\$ 583,076	\$ 398,446
Basic net income per Share	\$ 1.18	\$ 0.81
Diluted net income per Share	\$ 1.17	\$ 0.80
<b>Condensed Consolidated Balance Sheet Data</b>		
Cash and cash equivalents	\$ 2,666,981	\$ 2,306,072
Short-term investments	\$ 3,480,989	\$ 3,513,702
Total assets	\$ 14,973,485	\$ 14,535,556
Debt	\$ 1,874,794	\$ 1,881,421
Total liabilities	\$ 6,339,457	\$ 6,075,687
Total stockholders' equity	\$ 8,634,028	\$ 8,459,869

## 10.2 Independent Registered Public Accounting Firm

The independent registered public accounting firm of Adobe is KPMG LLP, Santa Clara, California, U.S.A. KPMG LLP is registered with the Public Company Accounting Oversight Board (United States) and a member of the American Institute of Certified Public Accountants.

## XI. DOCUMENTS ON DISPLAY

Adobe's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on its Investor Relations website at [www.adobe.com/adbe](http://www.adobe.com/adbe) as soon as reasonably practicable after Adobe electronically files such material with, or furnishes it to, the SEC. In addition, investors can obtain copies of Adobe's SEC filings free of charge from the SEC Web site at [www.sec.gov](http://www.sec.gov).

Adobe's Form 10-K, Adobe's Form 10-Q and Adobe's Proxy Statement, referred to in this prospectus, may be obtained free of charge upon request by an employee.

Adobe expects to issue after market close on June 14, 2018, its earnings release for the quarter ended June 1, 2018. The quarterly report on Form 10-Q for such quarter will be filed with the SEC no later than July 11, 2018. The annual report on Form 10-K for the fiscal year ending November 30, 2018 will be filed with the SEC no later than January 29, 2019. These documents will be available on the websites of Adobe and the SEC indicated above.

## XII. TAX CONSEQUENCES

### 12.1 France Tax Consequences

The following summary is based on the income and social tax laws in effect in France as of the date of this prospectus. Such laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Shares, sells Shares or receives dividends.

The following applies only to Participating Employees who are French tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment after enrolling in the ESPP, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Adobe is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

### Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

### Purchase of Shares

When Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Shares on the Purchase Date and the Purchase Price. In addition, the Participating Employee also will be subject to social security contributions on this amount. For income tax purposes only, the taxable amount at purchase may be reduced by any eligible tax deductible social insurance contributions.

## Dividends

If Shares are acquired under the ESPP, dividends may be paid with respect to those Shares if Adobe, in its discretion, declares a dividend. Any dividends paid will be subject to tax in France and to U.S. federal income tax withheld at source. The Participating Employee may be entitled to a tax credit in France for the U.S. federal tax withheld.

## Sale of Shares

When the Participating Employee subsequently sells the Shares acquired under the ESPP, the Participating Employee will be subject to capital gains tax at a flat rate, which includes income tax and social taxes, on any gain (*i.e.*, the difference between the sale price and the Fair Market Value of the Shares on the Purchase Date) realized. It is possible to opt for progressive income tax rates, in which case a portion of the social taxes will be tax deductible; however, such an election may trigger other negative tax consequences.

## Surtax

Please note that an additional surtax may apply to income in excess of certain thresholds. The surtax applies to all types of income received during a calendar year, including the taxable amount at purchase, any capital gain realized upon the sale of Shares and the receipt of any dividends.

## Withholding and Reporting

The Participating Employee's employer will not withhold income tax when Shares are purchased under the ESPP, but will withhold social security contributions. In addition, the Participating Employee's employer will report the discount on the Participating Employee's pay slip for the month of purchase and on the *déclaration sociale nominative* (DSN). The Participating Employee is responsible for reporting and paying any income tax and additional social taxes due as a result of the purchase of Shares under the ESPP, the sale of Shares acquired under the ESPP and/or the receipt of any dividends in accordance with applicable deadlines.

## 12.2 German Tax Consequences

The following summary is based on the income and social tax laws in effect in Germany as of the date of this prospectus. Such laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Shares, sells Shares or receives dividends.

The following applies only to Participating Employees who are German tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment after enrolling in the ESPP, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Adobe is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

## Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

## Purchase of Shares

When Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Shares on the Purchase Date and the Purchase Price. The Participating Employee also will be subject to social insurance contributions on this amount, to the extent he/she has not already exceeded his/her applicable contribution ceiling. In addition, solidarity surcharge and, if applicable, church tax will be assessed on the Participating Employee's income tax liability.

The German Income Tax Act provides favorable tax treatment if certain conditions are met.

### **Dividends**

If Shares are acquired under the ESPP, dividends may be paid with respect to those Shares if Adobe, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Germany and to U.S. federal income tax withheld at source. The Participating Employee may be entitled to a tax credit in Germany for the U.S. federal tax withheld.

### **Sale of Shares**

If the Participating Employee sells Shares that were acquired on or after January 1, 2009, the Participating Employee will be subject to capital gains at a flat rate (plus solidarity surcharge and, if applicable, church tax on the Participating Employee's capital gains tax liability) provided the Participating Employee does not own 1% or more of Adobe's stated capital (and has not owned 1% or more at any time in the last five years) and the Shares are not held as business assets, subject to an annual threshold exempt amount. If the flat tax exceeds the Participating Employee's standard progressive income tax rate, the Participating Employee may elect a personal assessment to apply his/her standard income tax rate (plus solidarity surcharge and, if applicable, church tax). The taxable gain will be the difference between the sale price and the Fair Market Value of the Shares on the Purchase Date. Note that different capital gains treatment applies to shares acquired prior to January 1, 2009.

### **Withholding and Reporting**

The Participating Employee's employer will withhold income tax (plus solidarity surcharge and, if applicable, church tax) and social insurance contributions, to the extent he/she has not exceeded his/her applicable ceiling for social insurance contributions, on the taxable amount. The Participating Employee's employer will report the income recognized when Shares are purchased. Should there be a difference between the actual tax liability and the amount withheld, the tax office may assess additional taxes after review of the Participating Employee's annual tax return. It is the Participating Employee's responsibility to report and pay taxes resulting from the sale of Shares and/or receipt of any dividends.

### **12.3 Irish Tax Consequences**

The following summary is based on the income and social tax laws in effect in Ireland as of the date of this prospectus. Such laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Shares, sells Shares or receives dividends.

The following applies only to Participating Employees who are Irish tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment after enrolling in the ESPP, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Adobe is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

### **Enrollment in the ESPP**

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

### **Purchase of Shares**

When Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Shares on the Purchase Date and the Purchase Price. The Participating Employee also will be subject to Universal Social Charge ("USC") and employee Pay-Related Social Insurance ("PRSI") on this amount.

### **Dividends**

If Shares are acquired under the ESPP, dividends may be paid with respect to those Shares if Adobe, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Ireland and to U.S. federal income tax withheld at source. The Participating Employee may be entitled to a tax credit in Ireland for the U.S. federal tax withheld.

### **Sale of Shares**

When the Participating Employee subsequently sells the Shares acquired under the ESPP, any capital gain (*i.e.*, the difference between the sale price and the Fair Market Value of the Shares on the Purchase Date) will be subject to capital gains tax, provided the total capital gain exceeds the annual exemption amount.

Note that the cost basis of the Shares sold is generally calculated on a "First In, First Out" ("FIFO") basis, which means that where the Participating Employee acquired Shares on different dates and not all of the Shares are being sold, the Shares that were acquired on earlier dates are deemed to be sold first. This FIFO rule does not apply to Shares acquired and sold within a 4-week period.

### **Withholding and Reporting**

The Participating Employee's employer will not withhold income tax, USC or PRSI when Shares are purchased under the ESPP. However, the Participating Employee's employer will report grant of the options under the ESPP as well as the income recognized when Shares are purchased to the Irish tax authorities on an annual basis.

The Participating Employee is responsible for reporting and paying the income tax, USC and PRSI contributions to the Irish tax authorities within 30 days of the Purchase Date, as well as for reporting the purchase of Shares on his or her annual tax return for the tax year in which the Shares are purchased. In addition, the Participating Employee is responsible for reporting and paying any tax resulting from the sale of the Shares and/or receipt of dividends in accordance with applicable deadlines.

### **12.4 Romanian Tax Consequences**

The following summary is based on the income and social tax laws in effect in Romania as of the date of this prospectus. Such laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Shares, sells Shares or receives dividends.

The following applies only to Participating Employees who are Romanian tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment after enrolling in the ESPP, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws,

rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Adobe is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

### **Enrollment in the ESPP**

The Participating Employee likely is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

### **Purchase of Shares**

When Shares are purchased under the ESPP, the Participating Employee will be subject to income tax and social insurance contributions on the difference between the Fair Market Value of the Shares on the Purchase Date and the Purchase Price.

### **Dividends**

If Shares are acquired under the ESPP, dividends may be paid with respect to those Shares if Adobe, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Romania and to U.S. federal income tax withheld at source. The Participating Employee may be entitled to a tax credit in Romania for the U.S. federal tax withheld. Health insurance contributions may also be due on dividend income if the Participating Employee has derived annual revenues equal to or more than the minimum annual gross salary amount from dividend income or other sources (e.g., independent activities, other investment income, rental income, etc.).

### **Sale of Shares**

When the Participating Employee subsequently sells Shares purchased under the ESPP, the Participating Employee will be subject to capital gains tax on the difference between the sale price and Fair Market Value of the Shares on the Purchase Date, less any transaction related costs. Health insurance contributions may also be due on sale proceeds if the Participating Employee has derived annual revenues equal to or more than the minimum annual gross salary amount from investment income or other sources (e.g., independent activities, dividend income, rental income, etc.).

### **Withholding and Reporting**

The Participating Employee's employer will withhold and/or report income tax and social insurance contributions when Shares are purchased under the ESPP. The Participating Employee is responsible for including any income resulting from the purchase of Shares under the ESPP in his or her annual tax return and for paying any difference between the actual tax liability and the amount withheld by the Participating Employee's employer.

Further, the Participating Employee will be responsible for reporting the purchase of Shares on his or her annual tax return as well as for reporting and paying any taxes due as a result of the sale of Shares acquired under the ESPP and/or the receipt of any dividends.

## **12.5 United Kingdom Tax Consequences**

The following summary is based on the income and social tax laws in effect in the United Kingdom as of the date of this prospectus. Such laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Shares, sells Shares or receives dividends.



The following applies only to Participating Employees who are resident, ordinarily resident and domiciled in the United Kingdom and will remain so up to the date Shares they received pursuant to any stock based award are sold, and are not subject to the remittance basis of taxation. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment after enrolling in the ESPP, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular circumstances or tax or financial situation, and Adobe is not in a position to assure them of any particular tax result.

The Participating Employees are strongly advised to consult their own independent personal tax advisor as to how the tax or other laws in their country apply to their specific situation.

### **Enrollment in the ESPP**

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

### **Purchase of Shares**

When Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Shares on the Purchase Date and the Purchase Price. In addition, the Participating Employee will be subject to employee's national insurance contributions ("NICs") on this amount. If noted in the Participating Employee's Enrollment Documents, the Participating Employee also may be responsible for employer NICs.

The Participating Employee's employer will calculate the income tax and applicable NICs due when Shares are purchased under the ESPP, account for these amounts to HM Revenue & Customs ("HMRC") on the Participating Employee's behalf, and withhold these amounts from the Participating Employee.

### **Dividends**

If Shares are acquired under the ESPP, dividends may be paid with respect to those Shares if Adobe, in its discretion, declares a dividend. Any dividends paid will be subject to income tax in the U.K. (but not NICs) and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit in the U.K. for the U.S. taxes paid provided certain conditions are met.

### **Sale of Shares**

When the Participating Employee subsequently sells the Shares acquired under the ESPP, any capital gain (*i.e.*, the difference between the sale price and the Fair Market Value of the Shares on the Purchase Date) will be subject to capital gains tax, provided the total capital gain exceeds the annual exemption amount.

Also, if the Participating Employee acquires Shares, the Participating Employee will need to take into account the share identification rules in calculating any capital gains tax liability.

### **Withholding and Reporting**

As mentioned above, the Participating Employee's employer will withhold income tax and NICs on the taxable amount when Shares are purchased under the ESPP.

The Participating Employee's employer also is required to report the details of the grant of the option under the ESPP and the acquisition of Shares pursuant to the ESPP as part of its annual returns submitted to the HMRC.

The Participating Employee will be responsible for reporting the purchase of Shares on his or her annual tax return as well as for reporting and paying any taxes due as a result of the sale of Shares acquired under the ESPP and/or the receipt of any dividends.

**EXHIBIT**

**EXHIBIT I**

**THE ADOBE SYSTEMS INCORPORATED  
1997 EMPLOYEE STOCK PURCHASE PLAN, AS AMENDED**

**ADOBE SYSTEMS INCORPORATED**  
**1997 EMPLOYEE STOCK PURCHASE PLAN**  
(as amended as of May 9, 2016)

**1. Purpose and Term of Plan.**

1.1 **Purpose.** The purpose of the Adobe Systems Incorporated 1997 Employee Stock Purchase Plan (the "**Plan**") is to provide Eligible Employees of the Participating Company Group with an opportunity to acquire a proprietary interest in the Company through the purchase of Stock. The Company intends for the Plan to have two components: a Code Section 423 component (the "**423 Component**") and a non-Code Section 423 component (the "**Non-423 Component**"). The Company intends that the 423 Component qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments or replacements of such section), and the provisions of the 423 Component shall be so construed. In addition, this Plan authorizes the grant of options to purchase Stock under the Non-423 Component that does not qualify as an "employee stock purchase plan" under Section 423 of the Code; such options will be granted pursuant to rules, procedures or sub-plans adopted by the Committee designed to achieve tax, securities laws or other objectives for Eligible Employees and the Company. Except as otherwise provided herein, the Non-423 Component will operate and be administered in the same manner as the 423 Component.

1.2 **Term of Plan.** The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued.

**2. Definitions and Construction.**

2.1 **Definitions.** Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "**Board**" means the Board of Directors of the Company. If one or more Committees have been appointed by the Board to administer the Plan, "Board" also means such Committee(s).

(b) "**Code**" means the U.S. Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(c) "**Committee**" means a committee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(d) "**Company**" means Adobe Systems Incorporated, a Delaware corporation, or any successor corporation thereto.

(e) "**Compensation**" means, with respect to any Offering Period, base wages or salary, overtime, bonuses, commissions, shift differentials, payments for paid time off, payments in lieu of notice, and compensation deferred under any program or plan, including, without limitation, pursuant to Section 401(k) or Section 125 of the Code. Compensation shall be limited to amounts actually payable in cash or deferred during the Offering Period.

Compensation shall not include moving allowances, payments pursuant to a severance agreement, termination pay, relocation payments, sign-on bonuses, any amounts directly or indirectly paid pursuant to the Plan or any other stock purchase or stock option plan, or any other compensation not included above.

The Committee shall have discretion to determine the application of this definition to Participants on payrolls outside the United States; provided, however, that such discretion shall be exercised on a uniform and nondiscriminatory basis for Participants in the 423 Component.

(f) "**Eligible Employee**" means an Employee who meets the requirements set forth in Section 5 for eligibility to participate in the Plan.

(g) "**Employee**" means a person treated as an employee of a Participating Company for purposes of Section 423 of the Code. A Participant shall be deemed to have ceased to be an Employee either upon an actual termination of employment or upon the corporation employing the Participant ceasing to be a Participating Company. For purposes of the Plan, an individual shall not be deemed to have ceased to be an Employee while such individual is on a bona fide leave of absence approved by the Company of ninety (90) days or less. In the event an individual's leave of absence exceeds ninety (90) days, the individual shall be deemed to have ceased to be an Employee on the ninety-first (91st) day of such leave unless the individual's right to reemployment with the Participating Company Group is guaranteed either by statute or by contract. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. All such determinations by the Company shall be, for purposes of an individual's participation in or other rights under the Plan as of the time of the Company's determination, final, binding and conclusive, notwithstanding that the Company or any governmental agency subsequently makes a contrary determination.

(h) "**Fair Market Value**" means, as of any date, if there is then a public market for the Stock, the closing sale price of a share of Stock (or the mean of the closing bid and asked prices if the Stock is so quoted instead) as quoted on the Nasdaq Global Select Market, the Nasdaq Small-Cap Market or such other national or regional securities exchange or market system constituting the primary market for the Stock, as reported in The Wall Street Journal or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded prior to the relevant date, or such other appropriate day as shall be determined by the Board, in its sole discretion. If there is then no public market for the Stock, the Fair Market Value on any relevant date shall be as determined by the Board without regard to any restriction other than a restriction which, by its terms, will never lapse.

(i) "**Offering**" means an offering of Stock as provided in Section 6.

(j) "**Offering Date**" means, for any Offering Period, the first day of such Offering Period.

(k) "**Offering Period**" means a period established in accordance with Section 6.1.

(l) "**Parent Corporation**" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(m) "**Participant**" means an Eligible Employee who has become a participant in an Offering Period in accordance with Section 7 and remains a participant in accordance with the Plan.

(n) "**Participating Company**" means the Company or any Parent Corporation or Subsidiary Corporation designated by the Board as a corporation the Employees of which may, if Eligible Employees, participate in the Plan. The Board shall have the sole and absolute discretion to determine from time to time which Parent Corporations or Subsidiary Corporations shall be Participating Companies.

(o) "**Participating Company Group**" means, at any point in time, the Company and all other corporations collectively which are then Participating Companies.

(p) "**Purchase Date**" means, for any Purchase Period, the last day of such period.

(q) "**Purchase Period**" means a period established in accordance with Section 6.2.

(r) "**Purchase Price**" means the price at which a share of Stock may be purchased under the Plan, as determined in accordance with Section 9.

(s) "**Purchase Right**" means an option granted to a Participant pursuant to the Plan to purchase such shares of Stock as provided in Section 8, which the Participant may or may not exercise during the Offering Period in which such option is outstanding. Such option arises from the right of a Participant to withdraw any accumulated payroll deductions of the Participant not previously applied to the purchase of Stock under the Plan and to terminate participation in the Plan at any time during an Offering Period.

(t) "**Stock**" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.2.

(u) "**Subscription Agreement**" means a written agreement in such form as specified by the Company, stating an Employee's election to participate in the Plan and authorizing payroll deductions under the Plan from the Employee's Compensation.

(v) "**Subscription Date**" means the last business day prior to the Offering Date of an Offering Period or such earlier date as the Company shall establish.

(w) "**Subsidiary Corporation**" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

**2.2 Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

### **3. Administration.**

**3.1 Administration by the Board.** The Plan shall be administered by the Board, including any duly appointed Committee of the Board. All questions of interpretation of the Plan, of any form of agreement or other document employed by the Company in the administration of the Plan, or of any Purchase Right shall be determined by the Board and shall be final and binding upon all persons having an interest in the Plan or the Purchase Right. Subject to the provisions of the Plan, the Board shall determine all of the relevant terms and conditions of Purchase Rights granted pursuant to the Plan and may designate separate Offerings under the Plan and which Participating Companies will participate in the 423 Component and which Participating Companies will participate in the Non-423 Component; provided, however, that all Participants granted Purchase Rights pursuant to the 423 Component shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code to the extent required by applicable law. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

**3.2 Authority of Officers.** Any officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the officer has apparent authority with respect to such matter, right, obligation, determination or election.

**3.3 Policies and Procedures Established by the Company.** The Company may, from time to time, consistent with the Plan and the requirements of Section 423 of the Code, establish, change or terminate such rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its sole discretion, for the proper administration of the Plan, including, without limitation, (a) a minimum payroll deduction amount required for participation in an Offering, (b) a limitation on the frequency or number of changes permitted in the rate of payroll deduction during an Offering, (c) an exchange ratio applicable to amounts withheld in a currency other than United States dollars, (d) a payroll deduction greater than or less than the amount designated by a Participant, or the acceptance by the Company of a direct payment from a Participant, in order to adjust for the Company's delay or mistake in processing a Subscription Agreement or in otherwise effecting a Participant's election under the Plan or as advisable to comply with the requirements of Section 423 of the Code, and (e) determination of the date and manner by which the Fair Market Value of a share of Stock is determined for purposes of administration of the Plan.

#### **4. Shares Subject to Plan.**

**4.1 Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.2, and effective upon approval by the stockholders of the Company, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be ninety-three million (93,000,000) and shall consist of authorized but unissued or reacquired shares of Stock, or any combination thereof. If an outstanding Purchase Right for any reason expires or is terminated or canceled, the shares of Stock allocable to the unexercised portion of such Purchase Right shall again be available for issuance under the Plan.

**4.2 Adjustments for Changes in Capital Structure.** In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar change in the capital structure of the Company, or in the event of any merger (including a merger effected for the purpose of changing the Company's domicile), sale of assets or other reorganization in which the Company is a party, appropriate adjustments shall be made in the number and class of shares subject to the Plan and each Purchase Right and in the Purchase Price. If a majority of the shares which are of the same class as the shares that are subject to outstanding Purchase Rights are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "**New Shares**"), the Board may unilaterally amend the outstanding Purchase Rights to provide that such Purchase Rights are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the Purchase Price of, the outstanding Purchase Rights shall be adjusted in a fair and equitable manner, as determined by the Board, in its sole discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the Purchase Right. The adjustments determined by the Board pursuant to this Section 4.2 shall be final, binding and conclusive.

#### **5. Eligibility.**

**5.1 Employees Eligible to Participate.** Each Employee of a Participating Company is eligible to participate in the Plan and shall be deemed an Eligible Employee, except the following:

- (a) Any Employee who is customarily employed by the Participating Company Group for less than twenty (20) hours per week; or
- (b) Any Employee who is customarily employed by the Participating Company Group for not more than five (5) months in any calendar year;

provided, however, that Employees of a Participating Company may be Eligible Employees even if their customary employment is less than twenty (20) hours per week and/or five (5) months per calendar year, to the extent required by local law, or any lesser number of hours per week and/or number of months in



any calendar year established by the Committee (if required under applicable local law) for purposes of any separate Offering or for Eligible Employees participating in the Non-423 Component.

**5.2 Exclusion of Certain Stockholders.** Notwithstanding any provision of the Plan to the contrary, no Employee shall be granted a Purchase Right under the Plan if, immediately after such grant, such Employee would own or hold options to purchase stock of the Company or of any Parent Corporation or Subsidiary Corporation possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of such corporation, as determined in accordance with Section 423(b)(3) of the Code. For purposes of this Section 5.2, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of such Employee.

## **6. Offerings.**

**6.1 Offering Periods.** Except as otherwise set forth below, the Plan shall be implemented by Offerings of approximately twenty-four (24) months duration or such other duration as the Board shall determine. Offering Periods shall commence on or about January 1 and July 1 of each year and end on or about the second December 31 and June 30, respectively, occurring thereafter. Notwithstanding the foregoing, the Board may establish a different duration for one or more future Offering Periods or different commencing or ending dates for such Offering Periods; provided, however, that no Offering Period may have a duration exceeding twenty-seven (27) months. If the first or last day of an Offering Period is not a day on which the national securities exchanges or Nasdaq Global Select Market are open for trading, the Company shall specify the trading day that will be deemed the first or last day, as the case may be, of the Offering Period. For purposes of the Plan, the Committee may designate separate Offerings under the Plan (the terms of which need not be identical) in which Participants of one or more Participating Companies will participate, even if the dates of the applicable Offering Periods of each such Offering are identical and the provisions of the Plan will separately apply to each Offering. Each Participating Company can participate in a separate Offering from any other Participating Company. To the extent permitted by U.S. Treasury Regulation Section 1.423-2(a)(1), the terms of each Offering need not be identical provided that the terms of the Plan and an Offering together satisfy U.S. Treasury Regulation Section 1.423-2(a)(2) and (a)(3).

**6.2 Purchase Periods.** Each Offering Period shall consist of four (4) consecutive Purchase Periods of approximately six (6) months duration, or such other number or duration as the Board shall determine. A Purchase Period commencing on or about January 1 shall end on or about the next June 30. A Purchase Period commencing on or about July 1 shall end on or about the next December 31. Notwithstanding the foregoing, the Board may establish a different duration for one or more future Purchase Periods or different commencing or ending dates for such Purchase Periods. If the first or last day of a Purchase Period is not a day on which the national securities exchanges or Nasdaq Global Select Market are open for trading, the Company shall specify the trading day that will be deemed the first or last day, as the case may be, of the Purchase Period.

## **7. Participation in the Plan.**

**7.1 Initial Participation.** An Eligible Employee may become a Participant in an Offering Period by delivering a properly completed Subscription Agreement to the office designated by the Company not later than the close of business for such office on the Subscription Date established by the Company for such Offering Period. An Eligible Employee who does not deliver a properly completed Subscription Agreement to the Company's designated office on or before the Subscription Date for an Offering Period shall not participate in the Plan for that Offering Period or for any subsequent Offering Period unless such Eligible Employee subsequently delivers a properly completed Subscription Agreement to the appropriate office of the Company on or before the Subscription Date for such subsequent Offering Period. An Employee who becomes an Eligible Employee on or after the Offering Date of an Offering Period shall not be eligible to participate in such Offering Period but may participate in any subsequent Offering Period provided such Employee is still an Eligible Employee as of the Offering Date of such subsequent Offering Period.

**7.2 Continued Participation.** A Participant shall automatically participate in the next Offering Period commencing immediately after the final Purchase Date of each Offering Period in which the Participant participates provided that such Participant remains an Eligible Employee on the Offering Date of the new Offering Period and has not either (a) withdrawn from the Plan pursuant to Section 12.1 or (b) terminated employment as provided in Section 13. A Participant who may automatically participate in a subsequent Offering Period, as provided in this Section 7.2, is not required to deliver any additional Subscription Agreement for the subsequent Offering Period in order to continue participation in the Plan, unless requested by the Company for legal or administrative reasons and provided that participation in the Plan in any subsequent Offering Period will be governed by the terms and conditions of the Plan in effect at such time. However, a Participant may deliver a new Subscription Agreement for a subsequent Offering Period in accordance with the procedures set forth in Section 7.1 if the Participant desires to change any of the elections contained in the Participant's then effective Subscription Agreement. Eligible Employees may not participate simultaneously in more than one Offering.

## **8. Right to Purchase Shares.**

**8.1 Grant of Purchase Right.** Except as set forth below, on the Offering Date of each Offering Period, each Participant in such Offering Period shall be granted automatically a Purchase Right consisting of an option to purchase five thousand (5,000) shares of Stock. No Purchase Right shall be granted on an Offering Date to any person who is not, on such Offering Date, an Eligible Employee.

**8.2 Pro Rata Adjustment of Purchase Right.** Notwithstanding the provisions of Section 8.1, and except as otherwise provided in Section 14.2, if the Board establishes an Offering Period of less than twenty-three and one-half (23½) months or more than twenty-four and one-half (24½) months in duration, the number of whole shares of Stock subject to a Purchase Right shall be determined by multiplying 208.33 shares by the number of months (rounded to the nearest whole month) in the Offering Period and disregarding any resulting fractional share.

**8.3 Calendar Year Purchase Limitation.** Notwithstanding any provision of the Plan to the contrary, no Purchase Right shall entitle a Participant to purchase shares of Stock under the Plan at a rate which, when aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of a Participating Company intended to meet the requirements of Section 423 of the Code, exceeds Twenty-Five Thousand Dollars (\$25,000) in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such Purchase Right has been outstanding at any time. For purposes of the preceding sentence, the Fair Market Value of shares purchased during a given Offering Period shall be determined as of the Offering Date for such Offering Period. The limitation described in this Section 8.3 shall be applied in conformance with applicable regulations under Section 423(b)(8) of the Code.

**9. Purchase Price.** The Purchase Price at which each share of Stock may be acquired in an Offering Period upon the exercise of all or any portion of a Purchase Right shall be established by the Board; provided, however, that the Purchase Price shall not be less than eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period or (b) the Fair Market Value of a share of Stock on the Purchase Date. Unless otherwise provided by the Board prior to the commencement of an Offering Period, the Purchase Price for that Offering Period shall be eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period, or (b) the Fair Market Value of a share of Stock on the Purchase Date.

**10. Accumulation of Purchase Price through Payroll Deduction.** Shares of Stock acquired pursuant to the exercise of all or any portion of a Purchase Right may be paid for only by means of payroll deductions from the Participant's Compensation accumulated during the Offering Period for which such Purchase Right was granted, subject to the following:

**10.1 Amount of Payroll Deductions.** Except as otherwise provided herein, the amount to be deducted under the Plan from a Participant's Compensation on each payday during an Offering Period shall be determined by the Participant's Subscription Agreement. The Subscription Agreement

shall set forth the percentage of the Participant's Compensation to be deducted on each payday during an Offering Period in whole percentages of not less than one percent (1%) (except as a result of an election pursuant to Section 10.3 to stop payroll deductions made effective following the first payday during an Offering) or more than twenty-five percent (25%). Notwithstanding the foregoing, the Board may change the limits on payroll deductions effective as of any future Offering Date.

**10.2 Commencement of Payroll Deductions.** Payroll deductions shall commence on the first payday following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided herein.

**10.3 Election to Change or Stop Payroll Deductions.** Subject to any limitations imposed by the Board prior to the commencement of an Offering Period, during an Offering Period, a Participant may elect to increase or decrease the rate of or to stop deductions from his or her Compensation by delivering to the Company's designated office an amended Subscription Agreement authorizing such change on or before the "Change Notice Date." The "**Change Notice Date**" shall be a date prior to the beginning of the first pay period for which such election is to be effective as established by the Company from time to time and announced to the Participants. Until otherwise provided by the Board, for all Offering Periods that commence on or after January 1, 2008, a Participant may only elect to decrease the rate of, or to stop, deductions from his or her Compensation during any on-going Offering Period, and may only increase his or her rate of deductions as to future Offering Periods; except however, that any increase to a Participant's election approved by the Company as a result of the Company's delay or mistake in processing a Subscription Agreement or in otherwise effecting a Participant's election under the Plan shall not be subject to these increase limitations.

**10.4 Participant Accounts.** Individual bookkeeping accounts shall be maintained for each Participant. All payroll deductions from a Participant's Compensation shall be credited to such Participant's Plan account and shall be deposited with the general funds of the Company. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose, unless otherwise required by the laws of the jurisdiction where the payroll deductions are taken, as determined by the Committee.

**10.5 No Interest Paid.** Interest shall not be paid on sums deducted from a Participant's Compensation pursuant to the Plan, unless otherwise required by the laws of the jurisdiction where the payroll deductions are taken, as determined by the Committee.

**10.6 Administrative Errors.** Notwithstanding the above, in the case of an administrative error by the Company, the Company may choose to accept a direct payment from a Participant in order to adjust for the Company's delay or mistake in processing a Subscription Agreement or in otherwise effecting a Participant's election under the Plan or as advisable to comply with the requirements of Section 423 of the Code.

**10.7 Other Contributions.** The Committee may allow Participants to make other contributions under the Plan via cash, check or other means instead of payroll deductions if payroll deductions are not permitted under applicable local law and, only for Offering in the 423 Component, the Committee determines that such other contributions are permissible under Section 423 of the Code.

## **11. Purchase of Shares.**

**11.1 Exercise of Purchase Right.** On each Purchase Date of an Offering Period, each Participant who has not withdrawn from the Plan and whose participation in the Offering has not terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right the number of whole shares of Stock determined by dividing (a) the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Offering Period and not previously applied toward the purchase of Stock by (b) the Purchase Price. However, in no event shall the number of shares purchased by the Participant during an Offering Period exceed the number of shares subject to the Participant's Purchase Right. No shares of Stock shall be

purchased on a Purchase Date on behalf of a Participant whose participation in the Offering or the Plan has terminated before such Purchase Date.

**11.2 Pro Rata Allocation of Shares.** In the event that the number of shares of Stock which might be purchased by all Participants in the Plan on a Purchase Date exceeds the number of shares of Stock available in the Plan as provided in Section 4.1, the Company shall make a pro rata allocation of the remaining shares in as uniform a manner as shall be practicable and as the Company shall determine to be equitable. Any fractional share resulting from such pro rata allocation to any Participant shall be disregarded.

**11.3 Delivery of Certificates.** As soon as practicable after each Purchase Date, the Company shall arrange the delivery to each Participant, as appropriate, of a certificate representing the shares acquired by the Participant on such Purchase Date; provided that the Company may deliver such shares to a broker that holds such shares in street name for the benefit of the Participant. Shares to be delivered to a Participant under the Plan shall be registered in the name of the Participant, or, if requested by the Participant, in the name of the Participant and his or her spouse, or, if applicable, in the names of the heirs of the Participant. Notwithstanding the foregoing, to the extent permitted by applicable law and the Company's governing documents, the Company may refrain from issuing paper certificates and may instead cause the issuance of the shares to the Participant under this Plan to be recorded electronically on the books of the Company, the applicable transfer agent and/or broker, as applicable.

**11.4 Return of Cash Balance.** Any cash balance remaining in a Participant's Plan account following any Purchase Date shall be refunded to the Participant as soon as practicable after such Purchase Date. However, if the cash to be returned to a Participant pursuant to the preceding sentence is an amount less than the amount that would have been necessary to purchase an additional whole share of Stock on such Purchase Date, the Company may retain such amount in the Participant's Plan account to be applied toward the purchase of shares of Stock in the subsequent Purchase Period or Offering Period, as the case may be.

**11.5 Tax and Withholding.** At the time a Participant's Purchase Right is exercised, in whole or in part, or at the time a Participant disposes of some or all of the shares of Stock he or she acquires under the Plan, the Participant shall make adequate provision for the foreign, federal, state and local tax and withholding obligations of the Participating Company Group, if any, which arise upon exercise of the Purchase Right or upon such disposition of shares, respectively. For the avoidance of doubt, any tax arising from the exercise of the Purchase Right or upon the disposition of shares, whether initially payable by the Participant or the Participating Company Group (each a "Stock Tax"), shall be paid by the Participant. The Participating Company Group may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary to satisfy any Stock Tax and/or withholding obligations. If the Participant's compensation is not sufficient to meet the Stock Tax and/or withholding obligation, the Participating Group Company shall be under no obligation to deliver the Shares until the Participant has made adequate provisions for payment of the Stock Tax and/or withholding obligations.

**11.6 Expiration of Purchase Right.** Any portion of a Participant's Purchase Right remaining unexercised after the end of the Offering Period to which the Purchase Right relates shall expire immediately upon the end of the Offering Period.

**11.7 Reports to Participants.** Each Participant who has exercised all or part of his or her Purchase Right shall receive, as soon as practicable after the Purchase Date, a report of such Participant's Plan account setting forth the total payroll deductions accumulated prior to such exercise, the number of shares of Stock purchased, the Purchase Price for such shares, the date of purchase and the cash balance, if any, remaining immediately after such purchase that is to be refunded or retained in the Participant's Plan account pursuant to Section 11.4. The report required by this Section may be delivered in such form and by such means, including by electronic transmission, as the Company may determine.

## 12. Withdrawal from Offering or Plan.

12.1 **Voluntary Withdrawal from the Plan.** A Participant may withdraw from the Plan by signing and delivering to the Company's designated office a written notice of withdrawal on a form provided by the Company for such purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period; provided, however, if a Participant withdraws from the Plan after the Purchase Date of a Purchase Period, the withdrawal shall not affect shares of Stock acquired by the Participant on such Purchase Date. A Participant who voluntarily withdraws from the Plan is prohibited from resuming participation in the Plan in the same Offering from which he or she withdrew, but may participate in any subsequent Offering by again satisfying the requirements of Sections 5 and 7.1. The Company may impose, from time to time, a requirement that the notice of withdrawal from the Plan be on file with the Company's designated office for a reasonable period prior to the effectiveness of the Participant's withdrawal.

12.2 **Automatic Withdrawal From an Offering.** If the Fair Market Value of a share of Stock on a Purchase Date other than the final Purchase Date of an Offering is less than the Fair Market Value of a share of Stock on the Offering Date of the Offering, then every Participant automatically shall be (a) withdrawn from such Offering at the close of such Purchase Date and after the acquisition of shares of Stock for the Purchase Period and (b) enrolled in the Offering commencing on the first business day subsequent to such Purchase Date.

12.3 **Return of Payroll Deductions.** Upon a Participant's voluntary withdrawal from the Plan pursuant to Sections 12.1 or automatic withdrawal from an Offering pursuant to Section 12.2, the Participant's accumulated payroll deductions which have not been applied toward the purchase of shares of Stock (except, in the case of an automatic withdrawal pursuant to Section 12.2, for an amount necessary to purchase an additional whole share as provided in Section 11.4) shall be returned as soon as practicable after the withdrawal, without the payment of any interest (unless required by applicable law), to the Participant, and the Participant's interest in the Plan or the Offering, as applicable, shall terminate. Such accumulated payroll deductions may not be applied to any other Offering under the Plan.

13. **Termination of Employment or Eligibility; Transfer of Employment.** Upon a Participant's ceasing, prior to a Purchase Date, to be an Employee of the Participating Company Group for any reason, including retirement, disability or death, or the failure of a Participant to remain an Eligible Employee, the Participant's participation in the Plan shall terminate immediately. In such event, the payroll deductions credited to the Participant's Plan account since the last Purchase Date shall, as soon as practicable, be returned to the Participant or, in the case of the Participant's death, to the Participant's legal representative, and all of the Participant's rights under the Plan shall terminate. Interest shall not be paid on sums returned pursuant to this Section 13. A Participant whose participation has been so terminated may again become eligible to participate in the Plan by again satisfying the requirements of Sections 5 and 7.1.

The Committee may establish rules to govern transfers of employment among any Participating Companies, consistent with any applicable requirements of Section 423 of the Code and the terms of the Plan. In addition, the Committee may establish rules to govern transfers of employment among any Participating Companies where such companies are participating in separate Offerings under the Plan.

## 14. Transfer of Control.

### 14.1 **Definitions.**

(a) An "**Ownership Change Event**" shall be deemed to have occurred if any of the following occurs with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company; or (iv) a liquidation or dissolution of the Company.

(b) A "**Transfer of Control**" shall mean an Ownership Change Event or a series of related Ownership Change Events (collectively, the "**Transaction**") wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately before the Transaction, direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting stock of the Company or the corporation or corporations to which the assets of the Company were transferred (the "**Transferee Corporation(s)**"), as the case may be. For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting stock of one or more corporations which, as a result of the Transaction, own the Company or the Transferee Corporation(s), as the case may be, either directly or through one or more subsidiary corporations. The Board shall have the right to determine whether multiple sales or exchanges of the voting stock of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

14.2 **Effect of Transfer of Control on Purchase Rights.** In the event of a Transfer of Control, the surviving, continuing, successor, or purchasing corporation or parent corporation thereof, as the case may be (the "**Acquiring Corporation**"), shall assume the Company's rights and obligations under the Plan. If the Acquiring Corporation elects not to assume the Company's rights and obligations under outstanding Purchase Rights, the Purchase Date of the then current Purchase Period shall be accelerated to a date before the date of the Transfer of Control specified by the Board, but the number of shares of Stock subject to outstanding Purchase Rights shall not be adjusted. All Purchase Rights which are neither assumed by the Acquiring Corporation in connection with the Transfer of Control nor exercised as of the date of the Transfer of Control shall terminate and cease to be outstanding effective as of the date of the Transfer of Control.

15. **Nontransferability of Purchase Rights.** A Purchase Right may not be transferred in any manner otherwise than by will or the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant.

16. **Restriction on Issuance of Shares.** The issuance of shares under the Plan shall be subject to compliance with all applicable requirements of foreign, federal or state law with respect to such securities. A Purchase Right may not be exercised if the issuance of shares upon such exercise would constitute a violation of any applicable foreign, federal or state securities laws or other law or regulations or the requirements of any securities exchange or market system upon which the Stock may then be listed. In addition, no Purchase Right may be exercised unless (a) a registration statement under the U.S. Securities Act of 1933, as amended, shall at the time of exercise of the Purchase Right be in effect with respect to the shares issuable upon exercise of the Purchase Right, or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Purchase Right may be issued in accordance with the terms of an applicable exemption from the registration requirements of said Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of a Purchase Right, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

17. **Rights as a Stockholder and Employee.** A Participant shall have no rights as a stockholder by virtue of the Participant's participation in the Plan until the date of the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of a certificate for the shares purchased pursuant to the exercise of the Participant's Purchase Right. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 4.2. Nothing herein creates an employment relationship between the Participant and any member of the Participating Group Company

where such relationship does not otherwise exist, nor shall anything herein confer upon a Participant any right to continue in the employ of the Participating Company Group or interfere in any way with any right of the Participating Company Group to terminate the Participant's employment at any time.

18. **Legends.** The Company may at any time place legends or other identifying symbols referencing any applicable foreign, federal or state securities law restrictions or any provision convenient in the administration of the Plan on some or all of the certificates representing shares of Stock issued under the Plan. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to a Purchase Right in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include but shall not be limited to the following:

"THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE CORPORATION TO THE REGISTERED HOLDER UPON THE PURCHASE OF SHARES UNDER AN EMPLOYEE STOCK PURCHASE PLAN AS DEFINED IN SECTION 423 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE TRANSFER AGENT FOR THE SHARES EVIDENCED HEREBY SHALL NOTIFY THE CORPORATION IMMEDIATELY OF ANY TRANSFER OF THE SHARES BY THE REGISTERED HOLDER HEREOF. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE PLAN IN THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE)."

19. **Notification of Sale of Shares.** The Company may require the Participant to give the Company prompt notice of any disposition of shares acquired by exercise of a Purchase Right within two years from the date of granting such Purchase Right or one year from the date of exercise of such Purchase Right. The Company may require that until such time as a Participant disposes of shares acquired upon exercise of a Purchase Right, the Participant shall hold all such shares in the Participant's name (or, if elected by the Participant, in the name of the Participant and his or her spouse but not in the name of any nominee) until the lapse of the time periods with respect to such Purchase Right referred to in the preceding sentence. The Company may direct that the certificates evidencing shares acquired by exercise of a Purchase Right refer to such requirement to give prompt notice of disposition.

20. **Notices.** All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of the Participating Company Group, members of the Board and any officers or employees of the Participating Company Group to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

22. **Amendment or Termination of the Plan.** The Board may at any time amend or terminate the Plan, except that (a) such termination shall not affect Purchase Rights previously granted under the Plan, except as permitted under the Plan, and (b) no amendment may adversely affect a Purchase Right previously granted under the Plan (except to the extent permitted by the Plan or as may be necessary to qualify the 423 Component as an employee stock purchase plan pursuant to Section 423 of the Code or to obtain qualification or registration of the shares of Stock under applicable foreign, federal or state securities laws). In addition, an amendment to the Plan must be approved by the stockholders of the

Company within twelve (12) months of the adoption of such amendment if such amendment would authorize the sale of more shares than are authorized for issuance under the Plan or would change the definition of the corporations that may be designated by the Board as Participating Companies.

23. **Continuation of Plan Terms as to Outstanding Purchase Rights**. Any other provision of the Plan to the contrary notwithstanding, the terms of the Plan prior to amendment (other than the maximum aggregate number of shares of Stock issuable thereunder) shall remain in effect and apply to all Purchase Rights granted pursuant to the Plan prior to amendment.



**CROSS-REFERENCE LISTS**

**ANNEX I**

**MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE REGISTRATION DOCUMENT  
(SCHEDULE)**

(Page numbering refers to the page contained in the relevant document)

<b>Item #</b>	<b>Item contents</b>	<b>Chapter/Exhibit</b>	<b>Page</b>
<b>1.</b>	<b>Persons Responsible</b>		
1.1.	All persons responsible for the information given in the prospectus	Prospectus	4 (Company Representative for Prospectus)
1.2.	A declaration by those responsible for the prospectus	Prospectus	4 (Company Representative for Prospectus)
<b>2.</b>	<b>Statutory Auditors</b>		
2.1.	Names and addresses of the issuer's auditors	Part II - Section B	60 (10.2 Independent Registered Public Accounting Firm)
2.2.	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.	Not applicable	Not applicable
<b>3.</b>	<b>Selected Financial Information</b>		
3.1.	Selected historical financial information	Part II - Section B	58 - 59 (10.1 Selected Financial Data)
3.2.	Interim periods	Part II - Section B	58 - 59 (10.1 Selected Financial Data)
<b>4.</b>	<b>Risk Factors</b>	Part II - Section A	15 - 32 (Risk Factors)
<b>5.</b>	<b>Information about the Issuer</b>		
<b>5.1.</b>	<b>History and Development of the Issuer</b>		

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<b>Item #</b>	<b>Item contents</b>	<b>Chapter/Exhibit</b>	<b>Page</b>
5.1.1.	the legal and commercial name of the issuer;	Part I - Section B	5 (B.1 Legal and Commercial Name of the Issuer)
<b>12.</b>	<b>Trend Information</b>		
12.1.	Significant trends that affected production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the prospectus.	Part I - Section B	7 (B.4a Recent Trends)
12.2.	Trends, uncertainties or events that are likely to affect the issuer for at least the current financial year.	Part II - Section A	15 - 32 (Risk Factors)
		Part I - Section B	7 (B.4a Recent Trends)
<b>13.</b>	<b>Profit Forecasts or Estimates</b>	Not applicable	Not applicable
<b>14.</b>	<b>Administrative, Management, Supervisory Bodies and Senior Management</b>		
14.1.	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer:  a) members of the administrative, management or supervisory bodies;	Part II - Section B	45 - 49 (7.1 Board of Directors as of April 12, 2018) and  55 - 57 (8.1 Directors' and Executive Officers' Holdings of Shares and Options)
	b) partners with unlimited liability, in the case of a limited partnership with a share capital;		Not applicable
	c) founders, if the issuer has been established for fewer than five years and		Not applicable

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	<p>d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.</p>	Part II - Section B	<p>49 - 51 (7.2 Executive Officers as of April 12, 2018) and 55 - 57 (8.1 Directors' and Executive Officers' Holdings of Shares and Options)</p>
	<p>The nature of any family relationship between any of those persons.</p>	Part II - Section B	<p>51 (7.3 Fraudulent Offences and Bankruptcy, Etc.)</p>
	<p>In the case of each member of the administrative, management or supervisory bodies of the issuer and each person mentioned in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and the following information:</p> <p>(a) the nature of all companies and partnerships of which such person has been a member of the administrative, management and supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies.</p>	Part II - Section B	<p>45 - 49 (7.1 Board of Directors as of April 12, 2018) and 49 - 51 (7.2 Executive Officers as of April 12, 2018)</p>

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<b>Item #</b>	<b>Item contents</b>	<b>Chapter/Exhibit</b>	<b>Page</b>
	<p>(b) any convictions in relation to fraudulent offences for at least the previous five years;</p> <p>(c) details of any bankruptcies, receiverships or liquidations with which a person described in (a) and (d) of the first subparagraph who was acting in the capacity of any of the positions set out in (a) and (d) of the first subparagraph was associated for at least the previous five years;</p> <p>(d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.</p> <p>If there is no such information to be disclosed, a statement to that effect is to be made.</p>	Part II - Section B	51 (7.3 Fraudulent Offences and Bankruptcy, Etc.)
14.2.	Administrative, management, and supervisory bodies and senior management conflicts of interests.	Part II - Section B	51 - 55 (7.4 Conflicts of Interest)
<b>17.</b>	<b>Employees</b>		
17.2.	Shareholdings and stock options with respect to each person referred to in points (a) and (d) of the first subparagraph of item 14.1.	Part II - Section B	55 - 57 (8.1 Directors' and Executive Officers' Holdings of Shares and Options)
17.3	Description of any arrangements for involving the employees in the capital of the issuer.	Exhibit I	All sections
		Part II - Section B	57 - 58 (8.2 Stock Plans)
<b>20.7.</b>	<b>Dividend policy, etc.</b>		
20.7.1	The amount of the dividend per share for each financial year for the period covered by the historical financial information	Part II - Section B	37 - 38 (4.5 Rights Attached to the Securities - Dividend Rights)

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<b>Item #</b>	<b>Item contents</b>	<b>Chapter/Exhibit</b>	<b>Page</b>
20.8.	Legal and arbitration proceedings	Part II - Section B	43 - 44 (5.3 Indirect and Contingent Indebtedness - Legal Proceedings)
20.9.	Significant change in the issuer's financial or trading position since the end of the last financial period	Not applicable	Not applicable
<b>23.</b>	<b>Third Party Information and Statement by Experts and Declarations of Any Interest</b>		
23.1.	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
23.2.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced.	Not applicable	Not applicable
<b>24.</b>	<b>Documents on Display</b>	Part II - Section B	60 (XI. Documents on Display)

**ANNEX III**

**MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE SECURITIES NOTE  
(SCHEDULE)**

(Page numbering refers to the page contained in the relevant document)

<b>Item #</b>	<b>Item contents</b>	<b>Chapter/Exhibit</b>	<b>Page</b>
<b>1.</b>	<b>Persons Responsible</b>		
1.1.	All persons responsible for the information given in the prospectus.	Prospectus	4 (Company Representative for Prospectus)
1.2.	A declaration by those responsible for the prospectus	Prospectus	4 (Company Representative for Prospectus)
2.	<b>Risk Factors</b>	Part II - Section A	15 - 32 (Risk Factors)
		Part II - Section B	37 (4.4. Currency of the Securities Issue, sentence beginning "Participating Employees assume the risk (... )")  40 (4.6 Transferability, sentence beginning "The Participating Employee assumes the risk (... )")
<b>3.</b>	<b>Key Information</b>		
3.1	Working capital statement	Part II - Section B	58 (IX. Working Capital Statement)
3.2	Capitalization and indebtedness	Part II - Section B	41 - 44 (V. Statement of Capitalization and Indebtedness as of March 2,

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			2018)
3.4	Reasons for the offer and use of proceeds	Part II - Section B	32 (1.1 Purpose of the ESPP) and 45 (6.2 Net Proceeds)
		Exhibit I	Section 1.1
<b>4.</b>	<b>Information Concerning the Securities to be Offered/ Admitted to Trading</b>		
4.1	Type and the class of the securities being offered, including the security identification code.	Part II - Section B	37 (4.1 Type and the Class of the Securities being Offered, Including the Security Identification Code)
		Exhibit I	Section 2(t) and 4
4.2	Legislation under which the securities have been created.	Part II - Section B	37 (4.2 Legislation Under Which the Securities Have Been Created)
4.3	Form of securities, name and address of the entity in charge of keeping the records.	Part II - Section B	37 (4.3 Form of Securities, Name and address of the Entity in Charge of Keeping the Records)
4.4	Currency of the securities issue.	Part II - Section B	37 (4.4 Currency of the Securities Issue)
4.5	Rights attached to the securities	Part II - Section B	37 - 40 (4.5 Rights Attached to the Securities)
4.6	Statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued.	Part II - Section B	32 (1.1 Purpose of the ESPP)
		Exhibit I	Subheader

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<b>Item #</b>	<b>Item contents</b>	<b>Chapter/Exhibit</b>	<b>Page</b>
4.7	Expected issue date of the securities.	Part II - Section B	33 (1.3 Purchase Period)
4.8	Description of any restrictions on the free transferability of the securities.	Part II - Section B	36 (III. Delivery and Sale of the Shares) and 40 (4.6 Transferability)
		Exhibit I	Sections 11 and 15
4.9	Mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities.	Part II - Section B	40 - 41 (4.7 General Provisions Applying to Business Combinations)
4.11	Information on taxes on the income from the securities withheld at source	Part II - Section B	60 - 66 (XII. Tax Consequences)
<b>5.</b>	<b>TERMS AND CONDITIONS OF THE OFFER</b>		
5.1	Conditions, offer statistics, expected timetable and action required to apply for the offer		
5.1.1	Conditions to which the offer is subject.	Part II - Section B	32 - 36 (I. The Outline, II. Eligibility and III. Delivery and Sale of the Shares)
		Exhibit I	All sections
5.1.2	Total amount of the issue/offer.	Part II - Section B	45 (6.2 Net Proceeds)
		Exhibit I	Section 4
5.1.3	Time period during which the offer will be open and description of the application process.	Part II - Section B	32 - 36 (I. The Outline, II. Eligibility and III. Delivery and Sale of the Shares)
		Exhibit I	Sections 5, 6, 7, 8 and 11



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5.1.4	Circumstances under which the offer may be revoked or suspended and whether revocation can occur after dealing has begun.	Part II - Section B	34 (1.7 Termination or Amendment of the ESPP) and 36 (2.5 Termination of Employment of Participating Employees)
		Exhibit I	Sections 12, 13, 14 and 22
5.1.5	Possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	Part II - Section B	36 (2.4 Discontinuance of Participation of Participating Employees)
5.1.6	Minimum and/or maximum amount of application.	Part II - Section B	33 (1.2 Shares Offered Under the ESPP) and 35 (2.2 Participation of Eligible Employees)
		Exhibit I	Section 5
5.1.7	Period during which an application may be withdrawn.	Part II - Section B	36 (2.4 Discontinuance of Participation of Participating Employees)
5.1.8	Method and time limits for paying up the securities and for delivery of the securities.	Part II - Section B	35 - 36 (2.3 Payroll Deductions) and 36 (III. Delivery and Sale of the Shares)
		Exhibit I	Sections 9, 10 and 11
5.3	Pricing		
5.3.1.	An indication of the price at which the securities will be offered.	Part II - Section B	33 - 34 (1.4 Purchase Price)

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		Exhibit I	Section 9
5.3.2.	Process for the disclosure of the offer price.	Part II - Section B	33 - 34 (1.4 Purchase Price) and 37 (4.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)
		Exhibit I	Section 9
5.3.3.	If the issuer's equity holders have pre-emptive purchase rights and this right is restricted or withdrawn.	Part II - Section B	40 (4.5 Rights Attached to the Securities - No Preemptive, Redemptive or Conversion Provisions)
5.3.4	Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year.	Not applicable	Not applicable
<b>5.4.</b>	<b>Placing and Underwriting</b>		
5.4.2	Name and address of any paying agents and depository agents in each country.	Part II - Section B	37 (4.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)
<b>6.</b>	<b>Admission to Trading and Dealing Arrangements</b>		
6.1	Whether the securities offered are or will be the object of an application for admission to trading.	Part II - Section B	37 (4.1 Type and Class of the Securities being Offered, Including the Security Identification Code)

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6.2	Regulated markets or equivalent markets on which securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.	Part II - Section B	37 (4.1 Type and Class of the Securities being Offered, Including the Security Identification Code)
<b>8.</b>	<b>Expense of the Issue/Offer</b>		
8.1.	The total net proceeds and an estimate of the total expenses of the issue/offer.	Part II - Section B	45 (6.2 Net Proceeds)
<b>9.</b>	<b>Dilution</b>		
9.1.	The amount and percentage of immediate dilution resulting from the offer.	Part II - Section B	44 (6.1 Maximum Dilution)
9.2.	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.	Not applicable	Not applicable
<b>10.</b>	<b>Additional Information</b>		
10.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.	Not applicable	Not applicable
10.3.	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
10.4.	Where information has been sourced from a third party.	Not applicable	Not applicable