

REFINITIV

DELTA REPORT

10-Q

ADBE - ADOBE INC.

10-Q - MAY 31, 2024 COMPARED TO 10-Q - MARCH 01, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1790
 CHANGES	307
 DELETIONS	942
 ADDITIONS	541

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 1, 2024** **May 31, 2024**
or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-15175

ADOBE INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

77-0019522

(I.R.S. Employer
Identification No.)

345 Park Avenue, San Jose, California 95110-2704

(Address of principal executive offices and zip code)

(408) 536-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	ADBE	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of **March 22, 2024** **June 21, 2024**, **448.0 million** **443.4 million** shares of the registrant's common stock, \$0.0001 par value per share, were issued and outstanding.

ADOBE INC.
FORM 10-Q

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PART I—FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ADOBE INC.					
CONDENSED CONSOLIDATED BALANCE SHEETS					
(In millions, except par value)					
	March 1, 2024	December 1, 2023	May 31, 2024	December 1, 2023	
	(Unaudited)	(Unaudited)	(*)	(Unaudited)	(*)
ASSETS					
Current assets:					
Current assets:					
Current assets:					
Cash and cash equivalents					
Short-term investments					
Trade receivables, net of allowances for doubtful accounts of \$16 for both periods					
Trade receivables, net of allowances for doubtful accounts of \$19 and \$16, respectively					
Prepaid expenses and other current assets					
Total current assets					
Property and equipment, net					
Operating lease right-of-use assets, net					
Goodwill					
Other intangibles, net					
Deferred income taxes					
Other assets					
Total assets					
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current liabilities:					
Current liabilities:					
Trade payables					
Accrued expenses					
Debt					
Deferred revenue					
Income taxes payable					
Operating lease liabilities					
Total current liabilities					
Long-term liabilities:					
Debt					
Deferred revenue					
Income taxes payable					
Operating lease liabilities					
Operating lease liabilities					
Operating lease liabilities					
Other liabilities					
Total liabilities					
Stockholders' equity:					
Preferred stock, \$0.0001 par value; 2 shares authorized; none issued					
Common stock, \$0.0001 par value; 900 shares authorized; 601 shares issued; 453 and 455 shares outstanding, respectively					

Common stock, \$0.0001 par value; 900 shares authorized; 601 shares issued; 449 and 455 shares outstanding, respectively
Additional paid-in capital
Retained earnings
Accumulated other comprehensive income (loss)
Treasury stock, at cost (148 and 146 shares, respectively)
Treasury stock, at cost (152 and 146 shares, respectively)
Total stockholders' equity
Total liabilities and stockholders' equity

(*) The condensed consolidated balance sheet as of December 1, 2023 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes to condensed consolidated financial statements.

ADOBE INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	May 31, 2024	June 2, 2023	May 31, 2024	June 2, 2023
Revenue:				
Revenue:				
Revenue:				
Subscription				
Subscription				
Subscription				
Product				
Product				
Product				
Services and other				
Services and other				
Services and other				
Total revenue				
Total revenue				
Total revenue				
Cost of revenue:				
Cost of revenue:				
Cost of revenue:				
Subscription				
Subscription				
Subscription				
Product				
Product				
Product				
Services and other				

Services and other
Services and other
Total cost of revenue
Total cost of revenue
Total cost of revenue
Gross profit
Gross profit
Gross profit
Operating expenses:
Operating expenses:
Operating expenses:
Research and development
Research and development
Research and development
Sales and marketing
Sales and marketing
Sales and marketing
General and administrative
General and administrative
General and administrative
Acquisition termination fee
Acquisition termination fee
Acquisition termination fee
Amortization of intangibles
Amortization of intangibles
Amortization of intangibles
Total operating expenses
Total operating expenses
Total operating expenses
Operating income
Operating income
Operating income
Non-operating income (expense):
Non-operating income (expense):
Non-operating income (expense):
Interest expense
Interest expense
Interest expense
Investment gains (losses), net
Investment gains (losses), net
Investment gains (losses), net
Other income (expense), net
Other income (expense), net
Other income (expense), net
Total non-operating income (expense), net

Total non-operating income (expense), net
Total non-operating income (expense), net
Income before income taxes
Income before income taxes
Income before income taxes
Provision for income taxes
Provision for income taxes
Provision for income taxes
Net income
Net income
Net income
Basic net income per share
Basic net income per share
Basic net income per share
Shares used to compute basic net income per share
Shares used to compute basic net income per share
Shares used to compute basic net income per share
Diluted net income per share
Diluted net income per share
Diluted net income per share
Shares used to compute diluted net income per share
Shares used to compute diluted net income per share
Shares used to compute diluted net income per share

See accompanying notes to condensed consolidated financial statements.

ADOBE INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended	Three Months Ended	Six Months Ended
	Three Months Ended		
	Three Months Ended		
	May 31, 2024	June 2, 2023	May 31, 2024
	June 2, 2023		June 2, 2023
	Increase/(Decrease)		
	Increase/(Decrease)		
	Increase/(Decrease)	Increase/(Decrease)	
Net income			
Net income			
Net income			
Other comprehensive income (loss), net of taxes:			
Other comprehensive income (loss), net of taxes:			
Other comprehensive income (loss), net of taxes:			
Available-for-sale securities:			
Available-for-sale securities:			
Available-for-sale securities:			
Unrealized gains / losses on available-for-sale securities			

Unrealized gains / losses on available-for-sale securities
Unrealized gains / losses on available-for-sale securities
Derivatives designated as hedging instruments:
Derivatives designated as hedging instruments:
Reclassification adjustment for recognized gains / losses on available-for-sale securities
Net increase (decrease) from available-for-sale securities
Derivatives designated as hedging instruments:
Unrealized gains / losses on derivative instruments
Unrealized gains / losses on derivative instruments
Unrealized gains / losses on derivative instruments
Reclassification adjustment for realized gains / losses on derivative instruments
Reclassification adjustment for realized gains / losses on derivative instruments
Reclassification adjustment for realized gains / losses on derivative instruments
Net increase (decrease) from derivatives designated as hedging instruments
Net increase (decrease) from derivatives designated as hedging instruments
Net increase (decrease) from derivatives designated as hedging instruments
Foreign currency translation adjustments
Foreign currency translation adjustments
Foreign currency translation adjustments
Other comprehensive income (loss), net of taxes
Other comprehensive income (loss), net of taxes
Other comprehensive income (loss), net of taxes
Total comprehensive income, net of taxes
Total comprehensive income, net of taxes
Total comprehensive income, net of taxes

See accompanying notes to condensed consolidated financial statements.

ADOBE INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)
(Unaudited)

	Three Months Ended March 1, 2024								Three Months Ended May 31, 2024							
	Common Stock		Additional		Accumulated		Treasury Stock		Common Stock		Additional		Accumulated		Treasury Stock	
	Shares	Amount	Paid-In Capital	Retained Earnings	Other Comprehensive Income (Loss)	Shares	Amount	Total	Shares	Amount	Paid-In Capital	Retained Earnings	Other Comprehensive Income (Loss)	Shares	Amount	Total
Balances at December 1, 2023																
Balances at March 1, 2024																
Net income																
Other comprehensive income (loss), net of taxes																
Re-issuance of treasury stock under stock compensation plans																
Repurchases of common stock																

Stock-based compensation

Stock-based compensation

Stock-based compensation

Value of shares in deferred compensation plan

Balances at March 1, 2024

Balances at May 31, 2024

	Three Months Ended March 3, 2023								Three Months Ended June 2, 2023							
	Common Stock		Additional		Accumulated Other	Treasury Stock		Total	Common Stock		Additional		Accumulated Other	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive Income (Loss)	Shares	Amount		Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive Income (Loss)	Shares	Amount	
Balances at December 2, 2022																
Balances at March 3, 2023																
Net income																
Other comprehensive income (loss), net of taxes																
Re-issuance of treasury stock under stock compensation plans																
Repurchases of common stock																
Stock-based compensation																
Stock-based compensation																
Stock-based compensation																
Value of shares in deferred compensation plan																
Balances at March 3, 2023																
Balances at June 2, 2023																
Balances at June 2, 2023																
Balances at June 2, 2023																

ADOBE INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions)

(Unaudited)

Six Months Ended May 31, 2024								
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balances at December 1, 2023	601	\$ —	\$ 11,586	\$ 33,346	\$ (285)	(146)	\$ (28,129)	\$ 16,518
Net income	—	—	—	2,193	—	—	—	2,193
Other comprehensive income (loss), net of taxes	—	—	—	—	9	—	—	9
Re-issuance of treasury stock under stock compensation plans	—	—	—	(312)	—	2	52	(260)
Repurchases of common stock	—	—	—	—	—	(8)	(4,534)	(4,534)
Stock-based compensation	—	—	918	—	—	—	—	918
Value of shares in deferred compensation plan	—	—	—	—	—	—	(1)	(1)
Balances at May 31, 2024	601	\$ —	\$ 12,504	\$ 35,227	\$ (276)	(152)	\$ (32,612)	\$ 14,843

Six Months Ended June 2, 2023								
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balances at December 2, 2022	601	\$ —	\$ 9,868	\$ 28,319	\$ (293)	(139)	\$ (23,843)	\$ 14,051
Net income	—	—	—	2,542	—	—	—	2,542
Other comprehensive income (loss), net of taxes	—	—	—	—	(4)	—	—	(4)
Re-issuance of treasury stock under stock compensation plans	—	—	—	(252)	—	2	55	(197)
Repurchases of common stock	—	—	—	—	—	(8)	(2,404)	(2,404)
Stock-based compensation	—	—	849	—	—	—	—	849
Value of shares in deferred compensation plan	—	—	—	—	—	—	1	1
Balances at June 2, 2023	601	\$ —	\$ 10,717	\$ 30,609	\$ (297)	(145)	\$ (26,191)	\$ 14,838

See accompanying notes to condensed consolidated financial statements.

ADOBE INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended	March 3, 2024	Six Months Ended		
			Cash flows from operating activities:	May 31, 2024	June 2, 2023
Cash flows from operating activities:					
Net income					
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, amortization and accretion					
Depreciation, amortization and accretion					
Depreciation, amortization and accretion					
Stock-based compensation					

Reduction of operating lease right-of-use assets		
Deferred income taxes		
Unrealized losses (gains) on investments, net		
Other non-cash items		
Changes in operating assets and liabilities, net of acquired assets and assumed liabilities:		
Trade receivables, net		
Trade receivables, net		
Trade receivables, net		
Prepaid expenses and other assets		
Trade payables		
Accrued expenses and other liabilities		
Income taxes payable		
Deferred revenue		
Net cash provided by operating activities		
Cash flows from investing activities:	Cash flows from investing activities:	Cash flows from investing activities:
Maturities of short-term investments		
Maturities of short-term investments		
Maturities of short-term investments		
Proceeds from sales of short-term investments		
Purchases of property and equipment		
Purchases of property and equipment		
Purchases of property and equipment		
Purchases of long-term investments, intangibles and other assets		
Proceeds from sale of long-term investments and other assets		
Net cash provided by investing activities		
Cash flows from financing activities:	Cash flows from financing activities:	Cash flows from financing activities:
Repurchases of common stock		
Proceeds from re-issuance of treasury stock		
Taxes paid related to net share settlement of equity awards		
Repayment of debt		
Repayment of debt		
Proceeds from issuance of debt		
Repayment of debt		
Other financing activities, net		
Net cash used for financing activities		
Net cash used for financing activities		
Net cash used for financing activities		
Effect of foreign currency exchange rates on cash and cash equivalents		
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of period		
Cash and cash equivalents at end of period		
Supplemental disclosures:		
Cash paid for income taxes, net of refunds		
Cash paid for income taxes, net of refunds		
Cash paid for income taxes, net of refunds		
Cash paid for interest		

See accompanying notes to condensed consolidated financial statements.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We have prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). Pursuant to these rules and regulations, we have condensed or omitted certain information and footnote disclosures we normally include in our annual consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). In management's opinion, we have made all adjustments (consisting only of normal, recurring adjustments, except as otherwise indicated) necessary to fairly present our financial position, results of operations and cash flows. Our interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. These financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 1, 2023 on file with the SEC (our "Annual Report").

Use of Estimates

In preparing the condensed consolidated financial statements and related disclosures in conformity with GAAP and pursuant to the rules and regulations of the SEC, we must make estimates and judgments that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results may differ materially from these estimates.

Significant Accounting Policies

There have been no material changes to our significant accounting policies as compared to the significant accounting policies described in our Annual Report.

Recent Accounting Pronouncements Not Yet Effective

In November 2023, the Financial Accounting Standards Board ("the FASB") issued Accounting Standards Update ("ASU") No. 2023-07, Segment Reporting, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The updated standard is effective for our annual periods beginning in fiscal 2025 and interim periods beginning in the first quarter of fiscal 2026. Early adoption is permitted. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes, which prescribes standardized categories and disaggregation of information in the reconciliation of provision for income taxes, requires disclosure of disaggregated income taxes paid, and modifies other income tax-related disclosure requirements. The updated standard is effective for us beginning with our fiscal year 2026 annual reporting period. Early adoption is permitted. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures.

With the exception of the new standards discussed above, there have been no other recent accounting pronouncements or changes in accounting pronouncements during the **three** **six** months ended **March 1, 2024** **May 31, 2024**, as compared to the recent accounting pronouncements described in our Annual Report, that are of significance or potential significance to us.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 2. REVENUE

Segment Information

Our segment results for the three months ended **March 1, 2024** **May 31, 2024** and **March 3, 2023** **June 2, 2023** were as follows:

	Three months ended March 1, 2024			Three months ended May 31, 2024			Three months ended March 3, 2023			Three months ended June 2, 2023		
(dollars in millions)	Digital Media	Digital Experience	Publishing and Advertising	Digital Media	Digital Experience	Publishing and Advertising	Digital Media	Digital Experience	Publishing and Advertising	Digital Media	Digital Experience	Publishing and Advertising
Revenue												
Revenue												
Revenue												

Cost of revenue

Gross profit

Gross profit as a percentage of revenue	Gross profit as a percentage of revenue	96 %	69 %	71 %	89 %	Gross profit as a percentage of revenue	95 %	70 %	70 %	89 %
---	---	------	------	------	------	---	------	------	------	------

Three months ended March 3, 2023

Three months ended June 2, 2023

Revenue

Revenue

Revenue

Cost of revenue

Gross profit

Gross profit as a percentage of revenue	Gross profit as a percentage of revenue	96 %	66 %	74 %	88 %	Gross profit as a percentage of revenue	96 %	67 %	75 %	88 %
---	---	------	------	------	------	---	------	------	------	------

Our segment results for the six months ended May 31, 2024 and June 2, 2023 were as follows:

(dollars in millions)	Digital Media	Digital Experience	Publishing and Advertising	Total
Six months ended May 31, 2024				
Revenue	\$ 7,724	\$ 2,616	\$ 151	\$ 10,491
Cost of revenue	352	792	44	1,188
Gross profit	\$ 7,372	\$ 1,824	\$ 107	\$ 9,303
Gross profit as a percentage of revenue	95 %	70 %	71 %	89 %
Six months ended June 2, 2023				
Revenue	\$ 6,906	\$ 2,398	\$ 167	\$ 9,471
Cost of revenue	294	803	43	1,140
Gross profit	\$ 6,612	\$ 1,595	\$ 124	\$ 8,331
Gross profit as a percentage of revenue	96 %	67 %	74 %	88 %

Revenue by geographic area for the three and six months ended March 1, 2024 May 31, 2024 and March 3, 2023 June 2, 2023 were as follows:

(in millions)					
(in millions)					
		Three Months		Six Months	
(in millions)	(in millions)	2024	2023	2024	2023
Americas					
Americas					
Americas					
EMEA					
EMEA					
EMEA					
APAC					
APAC					
APAC					
Total					
Total					
Total					

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Revenue by major offerings in our Digital Media reportable segment for the three and six months ended March 1, 2024 May 31, 2024 and March 3, 2023 June 2, 2023 were as follows:

(in millions)		Three Months		Six Months	
(in millions)	(in millions)	2024	2023	2024	2023
Creative Cloud					
Creative Cloud					
Creative Cloud					
Document Cloud					
Document Cloud					
Document Cloud					
Total Digital Media revenue					
Total Digital Media revenue					
Total Digital Media revenue					

Subscription revenue by segment for the three and six months ended March 1, 2024 May 31, 2024 and March 3, 2023 June 2, 2023 were as follows:

(in millions)		Three Months		Six Months	
(in millions)	(in millions)	2024	2023	2024	2023
Digital Media					
Digital Media					
Digital Media					
Digital Experience					
Digital Experience					
Digital Experience					
Publishing and Advertising					
Publishing and Advertising					
Publishing and Advertising					
Total subscription revenue					
Total subscription revenue					
Total subscription revenue					

Contract Balances

A receivable is recorded when an unconditional right to invoice and receive payment exists, such that only the passage of time is required before payment of consideration is due. Included in trade receivables on the condensed consolidated balance sheets are unbilled receivable balances which have not yet been invoiced, and are typically related to license revenue or services which are delivered prior to invoicing. As of March 1, 2024 May 31, 2024, the balance of trade receivables, net of allowances for doubtful accounts, was \$2.06 \$1.61 billion, inclusive of unbilled receivables of \$99 million. As of December 1, 2023, the balance of trade receivables, net of allowances for doubtful accounts, was \$2.22 billion, inclusive of unbilled receivables of \$80 million.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

We maintain an allowance for doubtful accounts which reflects our best estimate of potentially uncollectible trade receivables and is based on both specific and general reserves. We maintain general reserves on a collective basis by considering factors such as historical experience, credit-worthiness, the age of the trade receivable balances, current economic conditions and a reasonable and supportable forecast of future economic conditions. As of March 1, 2024 and December 1, 2023, the allowance for doubtful accounts was \$19 million and \$16 million for both periods, as of May 31, 2024 and December 1, 2023, respectively.

A contract asset is recognized when a conditional right to consideration exists and transfer of control has occurred. Contract assets are included in prepaid expenses and other current assets for the current portion and other assets for the long-term portion on the condensed consolidated balance sheets. We regularly review contract asset balances for impairment, considering factors such as historical experience, credit-worthiness, age of the balance, current economic conditions and a reasonable and

supportable forecast of future economic conditions. Contract asset impairments were not material for the **three** six months ended **March 1, 2024** **May 31, 2024**. Contract assets were **\$153 million** **\$193 million** and \$141 million as of **March 1, 2024** **May 31, 2024** and December 1, 2023, respectively.

Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from subscription services, including non-cancellable and non-refundable committed funds and refundable customer deposits. Deferred revenue is recognized as revenue when transfer of control to customers has occurred. As of **March 1, 2024** **May 31, 2024**, the balance of deferred revenue was **\$6.11 billion** **\$5.69 billion**, which includes **\$87 million** **\$55 million** of refundable customer deposits. Arrangements with some of our enterprise customers with non-cancellable and non-refundable committed funds provide options to either renew monthly on-premise term-based licenses or use some or all funds to purchase other Adobe products or services. Non-cancellable and non-refundable committed funds related to these agreements comprised approximately 4% of the total deferred revenue.

As of December 1, 2023, the balance of deferred revenue was \$5.95 billion. During the three **and six** months ended **March 1, 2024** **May 31, 2024**, approximately **\$2.67 billion** **\$1.69 billion** and **\$4.36 billion** of revenue, **respectively**, was recognized that was included in the balance of deferred revenue as of December 1, 2023.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and unbilled amounts that will be recognized as revenue in future periods. As of **March 1, 2024** **May 31, 2024**, remaining performance obligations were approximately **\$17.58 billion** **\$17.86 billion**. Non-cancellable and non-refundable funds related to some of our enterprise customer agreements referred to above comprised approximately 4% of the total remaining performance obligations. Approximately 68% of the remaining performance obligations, excluding the aforementioned enterprise customer agreements, are expected to be recognized over the next 12 months with the remainder recognized thereafter.

Incremental costs of obtaining a contract with a customer are capitalized if we expect the benefit of those costs to be longer than one year and primarily relate to sales commissions paid to our sales force personnel. Capitalized contract acquisition costs are included in prepaid expenses and other current assets for the current portion and other assets for the long-term portion on the condensed consolidated balance sheets. Capitalized contract acquisition costs were **\$707 million** **\$716 million** and \$656 million as of **March 1, 2024** **May 31, 2024** and December 1, 2023, respectively.

We record refund liabilities for amounts that may be subject to future refunds, which include sales returns reserves and customer rebates and credits. Refund liabilities are included in accrued expenses on the condensed consolidated balance sheets. Refund liabilities were **\$107 million** **\$105 million** and \$111 million as of **March 1, 2024** **May 31, 2024** and December 1, 2023, respectively.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 3. ACQUISITIONS

Figma

On September 15, 2022, we entered into a definitive merger agreement under which we intended to acquire Figma, Inc. ("Figma") for approximately \$20 billion, comprised of approximately half cash and half stock.

On December 17, 2023, we entered into a mutual termination agreement with Figma to terminate the proposed merger. In accordance with the terms of the termination agreement, we paid Figma a termination fee of \$1 billion. The termination fee was recorded in operating expenses in our condensed consolidated statements of income during the **three** six months ended **March 1, 2024** **May 31, 2024**, and was not tax-deductible for financial statement purposes.

NOTE 4. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash equivalents consist of highly liquid marketable securities with remaining maturities of three months or less at the date of purchase. We classify our investments in marketable debt securities as "available-for-sale." We carry these investments at fair value, based on quoted market prices or other readily available market information. Unrealized gains and unrealized non-credit-related losses of marketable debt securities are included in accumulated other comprehensive income, net of taxes, in our condensed consolidated balance sheets. Unrealized credit-related losses are recorded to other income (expense), net in our condensed consolidated statements of income with a corresponding allowance for credit-related losses in our condensed consolidated balance sheets. Gains and losses are determined using the specific identification method and recognized when realized in our condensed consolidated statements of income.

Cash, cash equivalents and short-term investments consisted of the following as of March 1, 2024:

(in millions)	Amortized	Unrealized	Unrealized	Estimated
	Cost	Gains	Losses	Fair Value

Current assets:								
Cash	\$	612	\$	—	\$	—	\$	612
Cash equivalents:								
Money market funds		5,642		—		—		5,642
Total cash and cash equivalents		6,254		—		—		6,254
Short-term fixed income securities:								
Asset-backed securities		11		—		—		11
Corporate debt securities		337		—		(2)		335
U.S. agency securities		13		—		(1)		12
U.S. Treasury securities		213		—		(5)		208
Total short-term investments		574		—		(8)		566
Total cash, cash equivalents and short-term investments	\$	6,828	\$	—	\$	(8)	\$	6,820

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Cash, cash equivalents and short-term investments consisted of the following as of May 31, 2024:

(in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Current assets:				
Cash	\$ 564	\$ —	\$ —	\$ 564
Cash equivalents:				
Money market funds	7,012	—	—	7,012
Time deposits	84	—	—	84
Total cash equivalents	7,096	—	—	7,096
Total cash and cash equivalents	7,660	—	—	7,660
Short-term fixed income securities:				
Asset-backed securities	8	—	—	8
Corporate debt securities	202	—	(1)	201
U.S. agency securities	13	—	—	13
U.S. Treasury securities	187	—	(4)	183
Total short-term investments	410	—	(5)	405
Total cash, cash equivalents and short-term investments	\$ 8,070	\$ —	\$ (5)	\$ 8,065

Cash, cash equivalents and short-term investments consisted of the following as of December 1, 2023:

(in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Current assets:				
Cash	\$ 618	\$ —	\$ —	\$ 618
Cash equivalents:				
Money market funds	6,498	—	—	6,498
Time deposits	25	—	—	25
Total cash equivalents	6,523	—	—	6,523
Total cash and cash equivalents	7,141	—	—	7,141
Short-term fixed income securities:				
Asset-backed securities	15	—	—	15

Corporate debt securities	438	—	(4)	434
U.S. agency securities	13	—	(1)	12
U.S. Treasury securities	247	—	(7)	240
Total short-term investments	713	—	(12)	701
Total cash, cash equivalents and short-term investments	\$ 7,854	\$ —	\$ (12)	\$ 7,842

See Note 5 for further information regarding the fair value of our financial instruments.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following table summarizes the estimated fair value of short-term fixed income debt securities classified as short-term investments based on stated effective maturities as of **March 1, 2024** **May 31, 2024**:

(in millions)	Estimated Fair Value
Due within one year	\$ 440,342
Due between one and two years	123,60
Due between two and three years	3
Total	\$ 566,405

We review our debt securities classified as short-term investments on a regular basis for impairment. For debt securities in unrealized loss positions, we determine whether any portion of the decline in fair value below the amortized cost basis is due to credit-related factors if we neither intend to sell nor anticipate that it is more likely than not that we will be required to sell prior to recovery of the amortized cost basis. We consider factors such as the extent to which the market value has been less than the cost, any noted failure of the issuer to make scheduled payments, changes to the rating of the security and other relevant credit-related factors in determining whether or not a credit loss exists. During the **three** **six** months ended **March 1, 2024** **May 31, 2024** and **March 3, 2023** **June 2, 2023**, we did not recognize an allowance for credit-related losses on any of our investments.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 5. FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

The fair value of our financial assets and liabilities at **March 1, 2024** **May 31, 2024** was determined using the following inputs:

(in millions)	(in millions)	Fair Value Measurements at Reporting Date Using	(in millions)	Fair Value Measurements at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	(Level 1)	(Level 2)	(Level 3)	Total	(Level 1)	(Level 2) (Level 3)
Assets:	Assets:						

Cash equivalents:	Cash equivalents:	Cash equivalents:
Money market funds		
Money market funds		
Money market funds		
Time deposits		
Time deposits		
Time deposits		
Short-term investments:		
Short-term investments:		
Short-term investments:		
Asset-backed securities		
Asset-backed securities		
Asset-backed securities		
Corporate debt securities		
U.S. agency securities		
U.S. agency securities		
U.S. agency securities		
U.S. Treasury securities		
Prepaid expenses and other current assets:	Prepaid expenses and other current assets:	Prepaid expenses and other current assets:
Foreign currency derivatives		
Other assets:		
Other assets:		
Other assets:		
Deferred compensation plan assets		
Deferred compensation plan assets		
Deferred compensation plan assets		
Total assets		
Total assets		
Total assets		
Liabilities:		
Accrued expenses:		
Foreign currency derivatives	\$ 4	\$ —
	\$ 4	\$ —

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The fair value of our financial assets and liabilities at December 1, 2023 was determined using the following inputs:

(in millions)

Fair Value Measurements at Reporting Date Using			
Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	

	Total	(Level 1)	(Level 2)	(Level 3)
Assets:				
Cash equivalents:				
Money market funds	\$ 6,498	\$ 6,498	\$ —	\$ —
Time deposits	25	25	—	—
Short-term investments:				
Asset-backed securities	15	—	15	—
Corporate debt securities	434	—	434	—
U.S. agency securities	12	—	12	—
U.S. Treasury securities	240	—	240	—
Prepaid expenses and other current assets:				
Foreign currency derivatives	52	—	52	—
Other assets:				
Deferred compensation plan assets	206	206	—	—
Total assets	\$ 7,482	\$ 6,729	\$ 753	\$ —
Liabilities:				
Accrued expenses:				
Foreign currency derivatives	\$ 4	\$ —	\$ 4	\$ —

See Note 4 for further information regarding the fair value of our financial instruments.

Our fixed income available-for-sale debt securities consist of high quality, investment grade securities from diverse issuers with a weighted average credit rating of **AA-**. We value these securities based on pricing from independent pricing vendors who use matrix pricing valuation techniques including market approach methodologies that model information generated by market transactions involving identical or comparable assets, as well as discounted cash flow methodologies. Inputs include quoted prices in active markets for identical assets or inputs other than quoted prices that are observable either directly or indirectly in determining fair value, including benchmark yields, issuer spreads off benchmark yields, interest rates and U.S. Treasury or swap curves. We therefore classify all of our fixed income available-for-sale securities as Level 2. We perform routine procedures such as comparing prices obtained from multiple independent sources to ensure that appropriate fair values are recorded.

The fair values of our money market funds, time deposits and deferred compensation plan assets, which consist of money market and other mutual funds, are based on quoted prices in active markets at the measurement date.

Our over-the-counter foreign currency derivatives are valued using pricing models and discounted cash flow methodologies based on observable foreign exchange and interest rate data at the measurement date.

Our other current financial assets and current financial liabilities have fair values that approximate their carrying values.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The fair value of our senior notes was **\$3.40 billion** **\$5.39 billion** as of **March 1, 2024** **May 31, 2024**, based on observable market prices in less active markets and categorized as Level 2. See Note 14 for further details regarding our debt.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 6. DERIVATIVE FINANCIAL INSTRUMENTS

We may use derivatives to partially offset our business exposure to foreign currency and interest rate risk on expected future cash flows and certain existing assets and liabilities. We do not use any of our derivative instruments for trading purposes.

We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty. We do not offset fair value amounts recognized for derivative instruments under master netting arrangements. We also enter into collateral security agreements with certain of our counterparties to exchange cash collateral when the net fair value of certain derivative instruments fluctuates from contractually established thresholds.

Cash Flow Hedges

In countries outside the United States, we transact business in U.S. Dollars and in various other currencies. We may use foreign exchange option contracts and forward contracts to hedge a portion of our forecasted foreign currency denominated revenue and expenses. These foreign exchange contracts, carried at fair value, have maturities of

up to 12 24 months.

As of March 1, 2024 May 31, 2024, we had net derivative losses on our foreign exchange option contracts currency cash flow hedges expected to be recognized within the next 18 36 months, of which \$7 million \$4 million of net losses are expected to be recognized into revenue within the next 12 months.

Non-Designated Hedges

Our derivatives not designated as hedging instruments consist of foreign currency forward contracts that we primarily use to hedge monetary assets and liabilities denominated in non-functional currencies.

Fair value asset derivatives are included in prepaid expenses and other current assets and fair value liability derivatives are included in accrued expenses on our condensed consolidated balance sheets. The fair value of derivative instruments as of March 1, 2024 May 31, 2024 and December 1, 2023 were as follows:

(in millions)	(in millions)	2024		2023	(in millions)	2024		2023		
		Fair Value	Fair Value	Fair Value		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
		Asset	Liability	Asset		Liability	Asset	Liability	Asset	Liability
		Derivatives	Derivatives	Derivatives		Derivatives	Derivatives	Derivatives	Derivatives	Derivatives
Derivatives designated as hedging instruments:	Derivatives designated as hedging instruments:				Derivatives designated as hedging instruments:					
Foreign exchange option contracts										
Foreign exchange forward contracts										
Derivatives not designated as hedging instruments:										
Derivatives not designated as hedging instruments:										
Derivatives not designated as hedging instruments:										
Foreign exchange forward contracts										
Foreign exchange forward contracts										
Foreign exchange forward contracts										
Total derivatives										

For the three and six months ended March 1, 2024 May 31, 2024 and March 3, 2023 June 2, 2023, gains and losses on derivative instruments, net of tax, recognized in our condensed consolidated statements of comprehensive income and the effects of derivative instruments on our condensed consolidated statements of income were immaterial.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 7. GOODWILL AND OTHER INTANGIBLES

Goodwill as of March 1, 2024 May 31, 2024 and December 1, 2023 was \$12.80 billion and \$12.81 billion, respectively. During the second quarter of fiscal 2024, we completed our annual goodwill impairment test associated with our reporting units and determined there was no impairment of goodwill.

Other intangible assets subject to amortization as of March 1, 2024 May 31, 2024 and December 1, 2023 were as follows:

(in millions)	(in millions)	2024			2023	(in millions)	2024			2023			
		Gross Carrying	Accumulated		Gross Carrying		Gross Carrying	Accumulated		Gross Carrying	Accumulated		
		Amount	Amortization	Net	Amount	Amortization	Amount	Amortization	Net	Amount	Amortization	Net	
Customer contracts and relationships													
Purchased technology													
Trademarks													
Other													
Other													
Other													
Other intangibles, net													

Amortization expense related to other intangibles was \$84 million and \$96 million \$168 million for the three and six months ended March 1, 2024 May 31, 2024, respectively. Comparatively, amortization expense related to other intangibles was \$96 million and March 3, 2023 \$192 million for the three and six months ended June 2, 2023, respectively. Of these amounts, \$42 million and \$54 million \$84 million were included in cost of revenue for the three and six months ended March 1, 2024 May 31, 2024, respectively, and March 3, 2023 \$54 million and \$108 million were included in cost of revenue for the three and six months ended June 2, 2023, respectively.

As of March 1, 2024 May 31, 2024, the estimated aggregate amortization expense in future periods was as follows:
(in millions)

Fiscal Year	Other Intangibles (1)	Other Intangibles (1)
Fiscal Year		
Fiscal Year		
Remainder of 2024		
2025		
2026		
2027		
2028		
Thereafter		
Total expected amortization expense		

(1) Excludes capitalized in-process research and development which is considered indefinite lived until the completion or abandonment of the associated research and development efforts.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 8. ACCRUED EXPENSES

Accrued expenses as of March 1, 2024 May 31, 2024 and December 1, 2023 consisted of the following:

(in millions)	(in millions)	2024	2023	(in millions)	2024	2023
Accrued compensation and benefits						
Accrued bonuses						
Accrued corporate marketing						
Accrued corporate marketing						
Accrued corporate marketing						
Sales and use taxes						
Sales and use taxes						
Sales and use taxes						
Refund liabilities						
Other						
Other						
Other						
Accrued expenses						

Other primarily includes general business accruals, accrued hosting fees, royalties payable, and derivative collateral liabilities.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 9. STOCK-BASED COMPENSATION

Restricted Stock Units

Restricted stock unit activity for the three six months ended March 1, 2024 May 31, 2024 was as follows:								
	Number of Shares (in millions)	Number of Shares (in millions)	Weighted Average Grant Date Fair Value	Aggregate Fair Value ⁽¹⁾ (in millions)	Number of Shares (in millions)	Weighted Average Grant Date Fair Value	Aggregate Fair Value ⁽¹⁾ (in millions)	
Beginning outstanding balance								
Awarded								
Awarded								
Awarded								
Released								
Released								
Released								
Forfeited								
Forfeited								
Forfeited								
Ending outstanding balance								
Ending outstanding balance								
Ending outstanding balance								
Expected to vest								
Expected to vest								
Expected to vest								

(1) The aggregate fair value is calculated using the closing stock price as of March 1, 2024 May 31, 2024 of \$570.93, \$444.76.

The total fair value of restricted stock units vested during the three six months ended March 1, 2024 May 31, 2024 was \$541 million \$953 million.

Performance Shares

In the first quarter of fiscal 2024, the Executive Compensation Committee of our Board of Directors (the "ECC") approved the 2024 Performance Share Program, the terms of which are similar to the 2023 Performance Share Program that is still outstanding. For information regarding our outstanding Performance Share Programs, including the terms, see "Note 12. Stock-Based Compensation" of our Annual Report on Form 10-K for the fiscal year ended December 1, 2023.

As of March 1, 2024 May 31, 2024, the performance shares awarded under our 2024, 2023 and 2022 Performance Share Programs remained outstanding and unvested.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Performance share activity for the three six months ended March 1, 2024 May 31, 2024 was as follows:								
	Number of Shares (in millions)	Number of Shares (in millions)	Weighted Average Grant Date Fair Value	Aggregate Fair Value ⁽¹⁾ (in millions)	Number of Shares (in millions)	Weighted Average Grant Date Fair Value	Aggregate Fair Value ⁽¹⁾ (in millions)	
Beginning outstanding balance								
Awarded								
Awarded								
Awarded								
Released								
Released								
Released								
Forfeited								
Forfeited								
Forfeited								
Ending outstanding balance								

Ending outstanding balance
Ending outstanding balance
Expected to vest
Expected to vest
Expected to vest

(1) The aggregate fair value is calculated using the closing stock price as of **March 1, 2024** **May 31, 2024** of **\$570.93**, **\$444.76**.

Under our Performance Share Programs, participants generally have the ability to receive up to 200% of the target number of shares originally granted. Shares released during the **three six** months ended **March 1, 2024** **May 31, 2024** resulted from 83% achievement of target for the 2021 Performance Share Program, as certified by the ECC in the first quarter of fiscal 2024.

The total fair value of performance shares vested during the **three six** months ended **March 1, 2024** **May 31, 2024** was \$63 million.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Employee Stock Purchase Plan Shares

Employees purchased 0.3 million shares at an average price of \$299.89 and 0.2 million shares at an average price of \$286.05 for the **three six** months ended **March 1, 2024** **May 31, 2024** and **March 3, 2023** **June 2, 2023**, respectively. The intrinsic value of shares purchased during the **three six** months ended **March 1, 2024** **May 31, 2024** and **March 3, 2023** **June 2, 2023** was \$96 million and \$12 million, respectively. The intrinsic value is calculated as the difference between the market value on the date of purchase and the purchase price of the shares.

Compensation Costs

As of **March 1, 2024** **May 31, 2024**, there was **\$3.90 billion** **\$3.56 billion** of unrecognized compensation cost, adjusted for estimated forfeitures, related to **non-vested** **unvested** stock-based awards and purchase rights which will be recognized over a weighted average period of **2.50** **2.31** years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

Total stock-based compensation costs included in our condensed consolidated statements of income for the three **and six** months ended **March 1, 2024** **May 31, 2024** and **March 3, 2023** **June 2, 2023** were as follows:

	Three Months			Six Months		
(in millions)	(in millions)	2024	2023		2024	2023
(in millions)						
(in millions)						
(in millions)						
Cost of revenue						
Cost of revenue						
Cost of revenue						
Research and development						
Research and development						
Research and development						
Sales and marketing						
Sales and marketing						
Sales and marketing						
General and administrative						
General and administrative						
General and administrative						
Total						
Total						
Total						

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss) and activity, net of related taxes, were as follows:

	December 1, 2023				March 1, 2024				December 1, 2023				May 31, 2024		
(in millions)	(in millions)	1, 2023	Increase / Decrease	Reclassification Adjustments	1, 2024	(in millions)	1, 2023	Increase / Decrease	Reclassification Adjustments	1, 2024	(in millions)	1, 2023	Increase / Decrease	Reclassification Adjustments	1, 2024
Net unrealized gains / losses on available-for-sale securities															
Net unrealized gains / losses on available-for-sale securities															
Net unrealized gains / losses on available-for-sale securities															
Net unrealized gains / losses on derivative instruments designated as hedging instruments															
Cumulative foreign currency translation adjustments															
Total accumulated other comprehensive income (loss), net of taxes															

- (1) Reclassification adjustments for gains / losses on available-for-sale securities are classified in other income (expense), net.
- (2) Reclassification adjustments for gains / losses on foreign currency hedges are classified in revenue or operating expenses, depending on the nature of the underlying transaction, and reclassification adjustments for gains / losses on Treasury lock hedges are classified in interest expense.

Taxes related to each component of other comprehensive income (loss) for the three and six months ended March 1, 2024, May 31, 2024, and March 3, 2023, June 2, 2023 were immaterial.

NOTE 11. STOCK REPURCHASE PROGRAM

To facilitate our stock repurchase program, designed to return value to our stockholders and minimize dilution from stock issuances, we may repurchase our shares in the open market or enter into structured repurchase agreements with third parties. In December 2020, our Board of Directors granted authority to repurchase up to \$15 billion in our common stock, which became fully utilized during the six months ended May 31, 2024. In March 2024, our Board of Directors granted additional authority to repurchase up to \$25 billion in our common stock through the end of fiscal 2024, March 14, 2028.

During the three six months ended March 1, 2024, May 31, 2024, and March 3, 2023, June 2, 2023, we entered into accelerated share repurchase agreements ("ASRs") with large financial institutions whereupon we provided them with prepayments of \$2 billion totaling \$4.5 billion and \$1.4 billion, respectively. Under the terms of our ASRs, the financial institutions agree to deliver a portion of shares to us at contract

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

inception and the remaining shares at settlement. The total number of shares delivered and average purchase price paid per share are determined upon settlement based on the Volume Weighted Average Price ("VWAP") over the term of the ASR, less an agreed upon discount.

We During the six months ended June 2, 2023, we also entered entered into a structured stock repurchase agreement with a large financial institution whereupon we provided them with a prepayment of \$1 billion. Under the terms of our structured stock repurchase agreements, in which the financial institutions agree to deliver shares to us at monthly intervals during the respective contract terms, and the number of shares delivered each month are determined based on the total notional amount of the contracts, the number of trading days in the intervals and the VWAP during the intervals, less an agreed upon discount.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Share repurchase activity for the six months ended May 31, 2024 and June 2, 2023 was as follows:

	Number of Shares Delivered (in millions)	Average Price Paid Per Share

Six months ended May 31, 2024			
Structured stock repurchase agreement entered into in fiscal 2023	0.6	\$	626.68
ASR entered into in December 2023	3.5	\$	578.11
ASR entered into in March 2024	3.6	\$	— ⁽¹⁾
Total shares delivered	7.7		
Six months ended June 2, 2023			
Structured stock repurchase agreements entered into in fiscal 2022 and the six months ended June 2, 2023	3.6	\$	346.84
ASR entered into in December 2022	4.0	\$	348.46
Total shares delivered	7.6		

(1) During the **three** six months ended **March 1, 2024** May 31, 2024, we **repurchased** a received the initial delivery of shares under the ASR entered into in March 2024, which remained outstanding as of May 31, 2024. Subsequent to May 31, 2024, the outstanding ASR was settled which resulted in total repurchases of 3.1 million shares, including approximately 0.6 million **5.2 million** shares at an average price of \$626.68 through a structured repurchase agreement entered into during fiscal 2023, as well as 2.5 million shares from the initial delivery of the ASR entered into during the three months ended March 1, 2024. During the three months ended March 3, 2023, we repurchased a total of 5.0 million shares, including approximately 1.8 million shares at an average price of \$330.52 through a structured repurchase agreement entered into during fiscal 2022, as well as 3.2 million shares from the initial delivery of the ASR entered into during the three months ended March 3, 2023, **\$475.94**.

For the three months ended March 1, 2024, the prepayments were **Prepayments for stock repurchases** are classified as treasury stock, a component of stockholders' equity on our condensed consolidated balance sheets, at the payment date, though only shares physically delivered to us by **March 1, 2024** were **the end of the respective period** are excluded from the computation of net income per share. As of **March 1, 2024** May 31, 2024, a portion of the **\$2 billion** **\$2.5 billion** prepayment under **our outstanding the ASR entered into in March 2024** was evaluated as an unsettled forward contract indexed to our own stock, classified within stockholders' equity. **Subsequent to March 1, 2024, the outstanding ASR was settled which resulted in total repurchases of 3.5 million shares at an average price of \$578.11.**

Subsequent to **March 1, 2024** May 31, 2024, our Board of Directors granted us additional authority to repurchase up to \$25 billion in our common stock through March 14, 2028. Thereafter, as part of **both** the **December 2020 and** March 2024 stock repurchase **authorities, authority**, we entered into an ASR with a large financial institution whereupon we provided them with a prepayment of \$2.5 billion and received an initial delivery of **3.6 million** **3.6 million** shares, which represents approximately 75% of our prepayment. Upon completion of **the this** \$2.5 billion ASR, **\$22.65 billion** **\$20.15 billion** remains under our March 2024 **authority and there is no remaining balance under our December 2020 stock repurchase** authority.

NOTE 12. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share for the three **and six** months ended **March 1, 2024** May 31, 2024 and **March 3, 2023** June 2, 2023:

		Three Months		Six Months	
		2024	2023	2024	2023
(in millions, except per share data)	(in millions, except per share data)				
(in millions, except per share data)					
(in millions, except per share data)					
Net income					
Net income					
Net income					
Shares used to compute basic net income per share					
Shares used to compute basic net income per share					
Shares used to compute basic net income per share					
Dilutive potential common shares from stock plans and programs					
Dilutive potential common shares from stock plans and programs					
Dilutive potential common shares from stock plans and programs					
Shares used to compute diluted net income per share					
Shares used to compute diluted net income per share					
Shares used to compute diluted net income per share					
Basic net income per share					
Basic net income per share					
Basic net income per share					
Diluted net income per share					
Diluted net income per share					
Diluted net income per share					
Anti-dilutive potential common shares					

Anti-dilutive potential common shares
Anti-dilutive potential common shares

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 13. COMMITMENTS AND CONTINGENCIES

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

We are subject to legal proceedings, claims, including claims relating to intellectual property, commercial, employment and other matters, and investigations, including government investigations, that arise in the ordinary course of our business. Some of these disputes, legal proceedings and investigations may include speculative claims for substantial or indeterminate amounts of damages. We consider all claims on a quarterly basis in accordance with GAAP and based on known facts assess whether potential losses are considered reasonably possible or 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 the Audit Committee of the Board of Directors.

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. As of **March 1, 2024** **May 31, 2024**, we accrued provisions for legal liabilities that were probable and estimable, which were not material to our financial statements. Unless otherwise specifically disclosed in this note, we have determined that no 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, results of operations or cash flows could be negatively affected by an unfavorable resolution of one or more of such proceedings, claims or investigations.

Since June 2022, we have been cooperating with the Federal Trade Commission (the "FTC") staff in response to a Civil Investigative Demand seeking information regarding our disclosure and subscription cancellation practices relative to the Restore Online Shoppers' Confidence Act ("ROSCA"). In November 2023, the FTC staff asserted that they had the authority to enter into consent negotiations to determine if a settlement regarding their investigation of these issues could be reached. **Since then, we have attempted to engage constructively with the FTC to resolve this matter.** On March 20, 2024, we were informed that the FTC had voted to authorize a filing of the case. **It** The FTC then referred the case to the Department of Justice (the "DOJ"), and on June 17, 2024, the DOJ filed a civil complaint in the United States District Court for the Northern District of California, naming Adobe and certain of our employees as defendants. The complaint alleges that Adobe failed to clearly and conspicuously disclose material terms, failed to obtain express informed consent and failed to provide a simple cancellation mechanism regarding our disclosure and subscription cancellation practices in violation of ROSCA and the FTC Act. The DOJ is **not clear whether a settlement may be in reach**, seeking injunctive relief, civil penalties, equitable monetary relief and **we intend to continue seeking to engage constructively with the FTC.** other relief. The defense or resolution of this matter could involve significant monetary costs or penalties and have a significant impact on our financial results and operations. There can be no assurance that we will be successful in negotiating a favorable settlement or in litigation. Any remedies or compliance requirements could adversely affect our ability to operate our business or have a

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

materially adverse impact on our financial results. At this stage, we are unable to estimate a reasonably possible financial loss or range of any potential financial loss, if any, as a result of this **investigation.**

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

litigation.

On October 20, 2023, a securities class action captioned Pembroke Pines Firefighters & Police Officers Pension Fund et al v. Adobe, Inc. et al, Case No. 1:23-cv-09260, was filed in the U.S. District Court for the Southern District of New York (the "Securities Action") naming Adobe and certain of our current and former officers as defendants. The Securities Action purports to be brought on behalf of purchasers of the Company's stock between July 23, 2021 and September 22, 2022 (the "Class Period"). The complaint, which was amended on February 23, 2024, alleges that certain public statements made by Adobe during the Class Period related to competition from Figma and the adequacy of Adobe's existing offerings to counter harms Adobe may have faced due to Figma's growing market position were materially false and misleading. The Securities Action seeks unspecified compensatory damages, attorneys' fees and costs, and extraordinary equitable and/or injunctive relief.

On November 16, 2023, a shareholder derivative action captioned Shah v. Narayan et al, Case No. 1:23-cv-01315, was filed in the U.S. District Court for the District of Delaware (the "Shah Action"), purportedly on behalf of Adobe. On January 3, 2024, a second shareholder derivative action captioned Gervat v. Narayan et al, Case No. 1:24-cv-00006, was filed in the U.S. District Court for the District of Delaware (the "Gervat Action"), purportedly on behalf of Adobe. On January 24, 2024, the Court consolidated the Shah and Gervat Actions (together, the "Consolidated Derivative Action"). On January 18, 2024, a shareholder derivative action captioned Sbriglio v. Narayan et al., Case No. 24-cv-429458, was filed in California Superior Court (the "Sbriglio Action"), purportedly on behalf of Adobe. On January 29, 2024, a shareholder derivative action captioned Roy v. Narayan et al., No. 1:24-cv-00633, was filed in the U.S. District Court for the Southern District of New York, (the "Roy Action," and together with the Consolidated Derivative Action and the Sbriglio Action, the "Derivative Actions"), purportedly on behalf of Adobe. The Derivative Actions are based largely on the same alleged facts and circumstances as the Securities Action, and name certain of our current and former officers and members of our Board of Directors as defendants and Adobe as a nominal defendant. The Derivative Actions together allege claims for breach of fiduciary duty and/or aiding and abetting breach of fiduciary duties, unjust enrichment, waste of corporate assets, abuse of control, and violations of Section 10(b) (and Rule 10b-5 promulgated thereunder), Section 20(a), and/or Section 21D of the Securities Exchange Act of 1934, as amended, and seek recovery of unspecified damages, restitution, and attorney's fees and costs, as well as disgorgement of profits and certain payments and benefits, in the case of the Gervat Action, and improvements to Adobe's corporate governance and internal procedures, in the case of the Shah Action, on behalf of Adobe.

We dispute the allegations of wrongdoing in the Securities Action and the Derivative Actions and intend to vigorously defend ourselves in these matters. In view of the complexity and ongoing and uncertain nature of the outstanding proceedings and inquiries, at this time we are unable to estimate a reasonably possible financial loss or range of financial loss, if any, that we may incur to resolve or settle the Securities Action and the Derivative Actions.

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.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 14. DEBT

The carrying value of our borrowings as of March 1, 2024 May 31, 2024 and December 1, 2023 were as follows:

(dollars in millions)

(dollars in millions)

(dollars in millions)

1.90% 2025 Notes

1.90% 2025 Notes

1.90% 2025 Notes

3.25% 2025 Notes

3.25% 2025 Notes

3.25% 2025 Notes

2.15% 2027 Notes

2.15% 2027 Notes

2.15% 2027 Notes

4.85% 2027 Notes
4.85% 2027 Notes
4.85% 2027 Notes
4.80% 2029 Notes
4.80% 2029 Notes
4.80% 2029 Notes
2.30% 2030 Notes
2.30% 2030 Notes
2.30% 2030 Notes
4.95% 2034 Notes
4.95% 2034 Notes
4.95% 2034 Notes
Total debt outstanding, at par
Total debt outstanding, at par
Total debt outstanding, at par
Less: Current portion of debt, at par
Less: Current portion of debt, at par
Less: Current portion of debt, at par
Unamortized discount and debt issuance costs
Unamortized discount and debt issuance costs
Unamortized discount and debt issuance costs
Carrying value of long-term debt
Carrying value of long-term debt
Carrying value of long-term debt
Current portion of debt, at par
Current portion of debt, at par
Current portion of debt, at par
Unamortized discount and debt issuance costs
Unamortized discount and debt issuance costs
Unamortized discount and debt issuance costs
Carrying value of current debt
Carrying value of current debt
Carrying value of current debt

Senior Notes

In January 2015, we issued \$1 billion of senior notes due February 1, 2025. The related discount and issuance costs are amortized to interest expense over the term of the notes using the effective interest method. Interest is payable semi-annually, in arrears, on February 1 and August 1.

In February 2020, we issued \$500 million of senior notes due February 1, 2025, \$850 million of senior notes due February 1, 2027 and \$1.30 billion of senior notes due February 1, 2030. Our total proceeds were used for general corporate purposes including repayment of debt instruments due in fiscal 2020. The related discount and issuance costs are amortized to interest expense over the respective terms of the notes using the effective interest method. Interest is payable semi-annually, in arrears, on February 1 and August 1.

In April 2024, we issued \$500 million of senior notes due April 4, 2027, \$750 million of senior notes due April 4, 2029 and \$750 million of senior notes due April 4, 2034. Our total proceeds of approximately \$1.99 billion, net of an issuance discount of \$3 million and total issuance costs of \$9 million. The related discount and issuance costs are amortized to interest expense over the respective terms of the notes using the effective interest method. Interest is payable semi-annually, in arrears, on April 4 and October 4.

During the first quarter of fiscal 2024, we reclassified the senior notes due February 1, 2025 as current debt in our condensed consolidated balance sheets. As of March 1, 2024 May 31, 2024, the carrying value of our current debt was \$1.50 billion, net of the related discount and issuance costs. We Though we intend to refinance the current portion of our debt on or before the due date, date, the timing of the refinancing may be impacted by market conditions.

Our senior notes rank equally with our other unsecured and unsubordinated indebtedness, indebtedness, and do not contain financial covenants. We may redeem the notes at any time, subject to a make-whole premium. In addition,

For the senior notes issued in January 2015 and February 2020, upon the occurrence of certain change of control triggering events, we may be required to repurchase the notes, at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. The In addition, these notes do not contain financial covenants but include covenants that limit our ability to grant liens on assets and to enter into sale and leaseback transactions, subject to significant allowances.

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Revolving Credit Agreement

In June 2022, we entered into a credit agreement ("Revolving (the "Revolving Credit Agreement"), providing for a five-year \$1.5 billion senior unsecured revolving credit facility, which replaced our previous five-year \$1 billion senior unsecured revolving credit agreement entered into in October 2018. The Revolving Credit Agreement provides for loans to Adobe and certain of its subsidiaries that may be designated from time to time as additional borrowers. Pursuant to the terms of the Revolving Credit Agreement, we may, subject to the agreement of lenders to provide additional commitments, obtain up to an additional \$500 million in commitments, for a maximum aggregate commitment of \$2 billion. At our election, loans under the Revolving Credit Agreement will bear interest at either (i) term Secured Overnight Financing Rate ("SOFR"), plus a margin, (ii) adjusted daily SOFR, plus a margin, (iii) alternative currency rate, plus a margin, or (iv) base rate, which is defined as the highest of (a) the federal funds rate plus 0.50%, (b) the agent's prime rate, or (c) term SOFR plus 1.00%. The margin for term SOFR, adjusted

ADOBE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

daily SOFR and alternative currency rate loans is based on our debt ratings, and ranges from 0.460% to 0.900%. In addition, facility fees determined according to our debt ratings are payable on the aggregate commitments, regardless of usage, quarterly in an amount ranging from 0.040% to 0.100% per annum. We are permitted to permanently reduce the aggregate commitment under the Revolving Credit Agreement at any time. Subject to certain conditions stated in the Revolving Credit Agreement, Adobe and any of its subsidiaries designated as additional borrowers may borrow, prepay and re-borrow amounts at any time during the term of the Revolving Credit Agreement.

The Revolving Credit Agreement contains customary representations, warranties, affirmative and negative covenants, including events of default and indemnification provisions in favor of the lenders. The negative covenants include restrictions regarding the incurrence of liens and indebtedness, certain merger transactions, dispositions and other matters, all subject to certain exceptions.

The facility will terminate and all amounts owing thereunder will be due and payable on the maturity date unless (a) the commitments are terminated earlier upon the occurrence of certain events, including an event of default, or (b) the maturity date is further extended upon our request, subject to the agreement of the lenders.

As of March 1, 2024 May 31, 2024, there were no outstanding borrowings under this Revolving Credit Agreement.

Commercial Paper Program

In September 2023, we established a commercial paper program under which we may issue unsecured commercial paper up to a total of \$3 billion outstanding at any time, with maturities of up to 397 days from the date of issue. The net proceeds from the issuance of commercial paper are expected to be used for general corporate purposes, which may include working capital, capital expenditures, acquisitions, stock repurchases, refinancing indebtedness or any other general corporate purposes. As of March 1, 2024 May 31, 2024, there were no outstanding borrowings under the commercial paper program.

Term Loan Credit Agreement

In January 2023, we entered into a delayed draw term loan credit agreement (the "Term Loan Credit Agreement"), providing for a senior unsecured term loan of up to \$3.5 billion for the purpose of partially funding the purchase price for our intended acquisition of Figma and the related fees and expenses. During the three six months ended March 1, 2024 May 31, 2024, we entered into a mutual termination agreement with Figma to terminate the previously announced merger agreement. Consequently, the Term Loan Credit Agreement was terminated. There were no outstanding borrowings under the Term Loan Credit Agreement at the time of termination.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto.

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements, including statements regarding product plans, future growth, market opportunities, fluctuations in foreign currency exchange rates, strategic investments, industry positioning, customer acquisition and retention, the amount of annualized recurring revenue and revenue growth. In addition, when used in this report, the words "will," "expects," "could," "would," "may," "anticipates," "intends," "plans," "believes," "seeks," "targets," "estimates," "looks for," "looks to," "continues" and similar expressions, as well as statements regarding our focus for the future, are generally intended to identify forward-looking statements. Each of the forward-looking statements we make in this report involves risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" in Part II, Item 1A of this report. The risks described herein and in other documents we file from time to time with the U.S. Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for fiscal 2023, should be carefully reviewed. Undue reliance should not be placed on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document, except as required by law.

BUSINESS OVERVIEW

Adobe is a global technology company with a mission to change the world through personalized digital experiences. For over four decades, Adobe's innovations have transformed how individuals, teams, businesses, enterprises, institutions, and governments engage and interact across all types of media. Our products, services and solutions are used around the world to imagine, create, manage, deliver, measure, optimize and engage with content across surfaces and fuel digital experiences. We have a diverse user base that includes consumers, communicators, creative professionals, developers, students, small and medium businesses and enterprises. We are also empowering creators by putting the power of artificial intelligence ("AI") in their hands, and doing so in ways we believe are responsible. Our products and services help unleash creativity, accelerate document productivity and power businesses in a digital world. We have operations in the Americas; Europe, Middle East and Africa ("EMEA"); and Asia-Pacific ("APAC").

OPERATIONS OVERVIEW

For our **first second** quarter of fiscal 2024, we experienced strong demand across our Digital Media and Digital Experience offerings, driven by our innovative product roadmap. As we execute on our long-term growth initiatives, with focus on delivering product innovation and driving adoption and usage of our AI-powered solutions, we have continued to experience growth in software-based subscription revenue across our portfolio of offerings.

Digital Media

In our Digital Media segment, we are a market leader with Creative Cloud, our subscription-based offering which provides desktop tools, mobile applications ("apps") and cloud-based services for designing, creating and publishing rich content and immersive 3D experiences. Creative Cloud includes Adobe Express, a web and mobile app designed to enable a broad spectrum of users, including novice content creators, communicators and creative professionals, to create, edit and customize content quickly and easily with content-first, task-based solutions. **In September 2023, we released Creative Cloud also includes** Adobe Firefly, a group of creative generative AI models designed to generate high quality images and text effects. Adobe Firefly-powered generative AI features are also available across Creative Cloud apps including Adobe Photoshop and Adobe Express. Creative Cloud delivers value with deep, cross-product integration, frequent product updates and feature enhancements, cloud-enabled services including storage and syncing of files across users' devices, machine learning and artificial intelligence, access to marketplace, social and community-based features with our Adobe Stock and Behance services, app creation capabilities, tools which assist with enterprise deployments and team collaboration, and affordable pricing for cost-sensitive customers.

We offer Creative Cloud for individuals, students, teams and enterprises. We expect Creative Cloud will drive sustained long-term revenue growth through a continued expansion of our customer base by attracting new users with new features and products like Adobe Express and Adobe Firefly that make creative tools accessible to first-time creators and communicators, and delivering new features and technologies to existing customers with our latest releases such as share for review and generative AI capabilities. We have also built out a marketplace for Creative Cloud subscribers to enable the delivery and purchase of stock content in our Adobe Stock service. Overall, our strategy with Creative Cloud is designed to enable us to increase our revenue with existing users, continue to attract new customers, and grow our recurring and predictable revenue stream that is recognized ratably.

We continue to implement strategies that are designed to accelerate awareness, consideration and purchase of subscriptions to our Creative Cloud offerings. These strategies include increasing the value Creative Cloud users receive, such as offering new and enhanced desktop, web and mobile apps, as well as targeted promotions and offers that attract past customers and potential users to experience and ultimately subscribe to Creative Cloud. Because of the shift towards Creative Cloud subscriptions and Enterprise Term License Agreements ("ETLAs"), revenue from perpetual licensing of our Creative products has been immaterial to our business.

We are also a market leader with our Document Cloud offerings built around our Adobe Acrobat family of products, with a set of integrated mobile apps and cloud-based document services which enable users to create, collaborate, review, approve, sign and track documents regardless of platform or application source type. Document Cloud, which enhances the way people manage critical documents at home, in the office and across devices, includes Adobe Acrobat, Adobe Acrobat Sign and Adobe Scan. Adobe Acrobat is offered both through subscription and perpetual licenses, and is also included in our Creative Cloud All Apps subscription offering. **In April 2024, we introduced Acrobat AI Assistant, a new generative AI-powered product designed to deliver insights and enhance productivity through interactive document experiences, which is available as an add-on subscription to our Adobe Acrobat and Adobe Acrobat Reader products.**

As part of our Creative Cloud and Document Cloud strategies, we utilize a data-driven operating model ("DDOM") and our Adobe Experience Cloud solutions to raise awareness of our products, drive new customer acquisition, engagement and retention, and optimize customer journeys, which continue to contribute strong product-led growth in the business.

Annualized Recurring Revenue ("ARR") is currently the key performance metric our management uses to assess the health and trajectory of our overall Digital Media segment. ARR should be viewed independently of revenue, deferred revenue and remaining performance obligations as ARR is a performance metric and is not intended to be combined with any of these items. We adjust our reported ARR on an annual basis to reflect any exchange rate changes. Our reported ARR results in the current fiscal year are based on currency rates set at the beginning of the year and held constant throughout the year for measurement purposes. We calculate ARR as follows:

Creative ARR	Annual Value of Creative Cloud Subscriptions and Services
	+
	Annual Creative ETLA Contract Value
Document Cloud ARR	Annual Value of Document Cloud Subscriptions and Services
	+
	Annual Document Cloud ETLA Contract Value
Digital Media ARR	Creative ARR
	+
	Document Cloud ARR

Creative ARR exiting the **first second** quarter of fiscal 2024 was **\$12.78 billion** **\$13.11 billion**, up from \$12.49 billion at the end of fiscal 2023. Document Cloud ARR exiting the **first second** quarter of fiscal 2024 was **\$2.98 billion** **\$3.15 billion**, up from \$2.84 billion at the end of fiscal 2023. Total Digital Media ARR grew to **\$15.76 billion** **\$16.25 billion** at

the end of the first second quarter of fiscal 2024, up from \$15.33 billion at the end of fiscal 2023.

Our success in driving growth in ARR has positively affected our revenue growth. Creative revenue in the first second quarter of fiscal 2024 was \$3.07 billion \$3.13 billion, up from \$2.76 billion \$2.85 billion in the first second quarter of fiscal 2023, representing 11% 10% year-over-year growth. Document Cloud revenue in the first second quarter of fiscal 2024 was \$750 million \$782 million, up from \$634 million \$659 million in the first second quarter of fiscal 2023, representing 18% 19% year-over-year growth. Total Digital Media segment revenue grew to \$3.82 billion \$3.91 billion in the first second quarter of fiscal 2024, up from \$3.40 billion \$3.51 billion in the first second quarter of fiscal 2023, representing 12% 11% year-over-year growth driven by strong net new user growth.

Digital Experience

We are a market leader in the fast-growing category addressed by our Digital Experience segment. The Adobe Experience Cloud apps and services are designed to manage customer journeys, enable personalized experiences at scale and deliver intelligence for businesses of any size in any industry. Our differentiation and competitive advantage are strengthened by our ability to use the Adobe Experience Platform to integrate our comprehensive set of solutions.

Adobe Experience Cloud delivers solutions for our customers across the following strategic growth pillars:

- *Data insights and audiences.* Our products, including Adobe Analytics, Customer Journey Analytics, Adobe Product Analytics, Adobe Mix Modeler, and our Real-time Customer Data Platform, deliver actionable data in real time to provide highly tailored and adaptive experiences across platforms.
- *Content, commerce and commerce workflows.* Our products help customers manage, deliver, monetize, and optimize content delivery through Adobe Experience Manager and Manager; build multi-channel commerce experiences for B2B and B2C customers on a single platform with Adobe Commerce, Commerce; and strategically plan, manage, collaborate, and execute on workflows for marketing campaigns and other projects at speed and scale with our enterprise work management app, Adobe Workfront.
- *Customer journeys.* Our products help businesses manage, test, target and personalize customer journeys delivered as campaigns across B2B and B2C use cases, including through Adobe Marketo Engage, Adobe Campaign, Adobe Target and Adobe Journey Optimizer.
- *Marketing planning and workflow.* Our products help businesses intelligently measure, optimize, and plan marketing investments through the Adobe Mix Modeler, and allow businesses to strategically plan, manage, collaborate, and execute on workflows for marketing campaigns and other projects at speed and scale with our enterprise work management app, Adobe Workfront.

In addition to chief marketing officers, chief revenue officers and digital marketers, users of our Digital Experience solutions include advertisers, campaign managers, publishers, data analysts, content managers, social marketers, marketing executives and information management and technology executives. These customers often are involved in workflows that integrate other Adobe products, such as our Digital Media offerings. By combining the creativity of our Digital Media business with the science of our Digital Experience business, such as with our new Adobe GenStudio solution, we help our customers to more efficiently and effectively make, manage, measure and monetize their content across every channel with an end-to-end workflow and feedback loop.

We utilize a direct sales force to market and license our Digital Experience solutions, as well as an extensive ecosystem of partners, including marketing agencies, systems integrators and independent software vendors that help license and deploy our solutions to their customers. We have made significant investments to broaden the scale and size of all of these routes to market, and our recent financial results reflect the success of these investments and our experience-led growth strategy.

Digital Experience revenue was \$1.29 billion \$1.33 billion in the first second quarter of fiscal 2024, up from \$1.18 billion \$1.22 billion in the first second quarter of fiscal 2023, representing 10% 9% year-over-year growth. Driving this growth was the increase in subscription revenue, which grew to \$1.16 billion \$1.20 billion in the first second quarter of fiscal 2024 from \$1.04 billion \$1.07 billion in the first second quarter of fiscal 2023, representing 12% 13% year-over-year growth.

Macroeconomic Conditions

As a corporation with an extensive global footprint, we are subject to risks and exposures from the evolving macroeconomic environment, including the effects of increased global inflationary pressures and interest rates, fluctuations in foreign currency exchange rates, potential economic slowdowns or recessions and geopolitical pressures, including the unknown impacts of current and future trade regulations. We continuously monitor the direct and indirect impacts of these circumstances on our business and financial results.

While our revenue and earnings are relatively predictable as a result of our subscription-based business model, the broader implications of these macroeconomic events on our business, results of operations and overall financial position, particularly in the long term, remain uncertain. See *Risk Factors* for further discussion of the possible impact of these macroeconomic issues on our business.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States ("GAAP") and pursuant to the rules and regulations of the SEC, we make assumptions, judgments and estimates that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We evaluate our assumptions, judgments and estimates on a regular basis. We also discuss our critical accounting policies and estimates with the Audit Committee of the Board of Directors.

We believe that the assumptions, judgments and estimates involved in the accounting for revenue recognition and income taxes have the greatest potential impact on our condensed consolidated financial statements. These areas are key components of our results of operations and are based on complex rules requiring us to make judgments and estimates, and consequently, we consider these to be our critical accounting policies. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results.

There have been no significant changes in our critical accounting policies and estimates during the **three** six months ended **March 1, 2024** **May 31, 2024**, as compared to the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 1, 2023.

Recent Accounting Pronouncements

See Note 1 of our notes to condensed consolidated financial statements for information regarding recent accounting pronouncements that are of significance or potential significance to us.

RESULTS OF OPERATIONS

Financial Performance Summary

- Total Digital Media ARR of approximately **\$15.76 billion** **\$16.25 billion** as of **March 1, 2024** **May 31, 2024** increased by **\$432 million** **\$919 million**, or **3%** **6%**, from \$15.33 billion as of December 1, 2023.
- Creative revenue during the three months ended **March 1, 2024** **May 31, 2024** of **\$3.07 billion** **\$3.13 billion** increased by **\$305 million** **\$274 million**, or **11%** **10%**, compared to the year-ago period. Document Cloud revenue during the three months ended **March 1, 2024** **May 31, 2024** of **\$750** **\$782 million** increased by **\$116 million** **\$123 million**, or **18%** **19%**, compared to the year-ago period.
- Digital Experience revenue of **\$1.29 billion** **\$1.33 billion** during the three months ended **March 1, 2024** **May 31, 2024** increased by **\$113 million** **\$105 million**, or **10%** **9%**, compared to the year-ago period.
- Remaining performance obligations of **\$17.58 billion** **\$17.86 billion** as of **March 1, 2024** **May 31, 2024** increased by **\$369 million** **\$644 million**, or **2%** **4%**, from \$17.22 billion as of December 1, 2023.
- Cost of revenue of **\$590 million** **\$598 million** during the three months ended **March 1, 2024** **May 31, 2024** increased by **\$22 million** **\$26 million**, or **4%** **5%**, compared to the year-ago period.
- Operating expenses of **\$3.69 billion** **\$2.83 billion** during the three months ended **March 1, 2024** **May 31, 2024** increased by **\$1.18 billion** **\$206 million**, or **47%** **8%**, compared to the year-ago **period primarily due to the \$1 billion termination fee which resulted from termination of the Figma transaction. period.**
- Net income of **\$620 million** **\$1.57 billion** during the three months ended **March 1, 2024** **May 31, 2024** decreased **May 31, 2024** increased by **\$627 million** **\$278 million**, or **50%** **21%**, compared to the year-ago period.
- Cash flows from operations of **\$1.17 billion** **\$3.11 billion** during the **three** six months ended **March 1, 2024** **May 31, 2024** decreased by **\$519 million** **\$718 million**, or **31%** **19%**, compared to the year-ago **period. period, primarily due to payment of the \$1 billion Figma termination fee during the first quarter of fiscal 2024.**

Revenue for the Three and Six Months Ended **March 1, 2024** **May 31, 2024** and **March 3, 2023** **June 2, 2023**

(dollars in millions)

(dollars in millions)

(dollars in millions)

	2024			2023			% Change			2024			2023			% Change		
Subscription	Subscription	\$5,060	\$	\$	4,517	12		12	%	\$	9,976	\$	\$	8,890	12		12	%
Subscription																		
Subscription																		
Percentage of total revenue																		

Our product revenue is comprised primarily of fees related to licenses for on-premise software purchased on a perpetual basis, for a fixed period of time or based on usage for certain of our original equipment manufacturer and royalty agreements. We primarily recognize product revenue at the point in time the software is available to the customer, provided all other revenue recognition criteria are met.

Services and Other

Our services and other revenue is comprised primarily of fees related to consulting, training, maintenance and support for certain on-premise licenses that are recognized at a point in time and our advertising offerings. We typically sell our consulting contracts on a time-and-materials or fixed-fee basis. These revenues are recognized as the services are performed for time-and-materials contracts and on a relative performance basis for fixed-fee contracts. Training revenues are recognized as the services are performed. Our maintenance and support offerings, which entitle customers, partners and developers to receive desktop product upgrades and enhancements or technical support, depending on the offering, are generally recognized ratably over the term of the arrangement. Transaction-based advertising revenue is recognized on a usage basis as we satisfy the performance obligations to our customers.

Segment Information

(dollars in millions)

(dollars in millions)

(dollars in millions)

	2024				2023		%	2024				2023		%
							Change							Change
Digital Media	Digital Media	\$3,908	\$	\$3,511	11	11	%	\$7,724	\$	\$6,906	12	12	%	
Digital Media														
Digital Media														
Percentage of total revenue														
Percentage of total revenue														
Percentage of total revenue	Percentage of total revenue	74 %		73 %				74 %		73 %				
Digital Experience	Digital Experience	1,327	1,222	1,222	9	9	%	2,616	2,398	2,398	9	9	%	
Digital Experience														
Digital Experience														
Percentage of total revenue	Percentage of total revenue	25 %		25 %				25 %		25 %				
Percentage of total revenue														
Percentage of total revenue														
Publishing and Advertising	Publishing and Advertising	74	83	83	(11)	(11)	%	151	167	167	(10)	(10)	%	
Publishing and Advertising														
Publishing and Advertising														
Percentage of total revenue	Percentage of total revenue	1 %		2 %				1 %		2 %				
Percentage of total revenue														
Percentage of total revenue														
Total revenue	Total revenue	\$5,309	\$	\$4,816	10	10	%	\$10,491	\$	\$9,471	11	11	%	
Total revenue														
Total revenue														

Digital Media

Revenue by major offerings in our Digital Media reportable segment for the three and six months ended March 1, 2024 May 31, 2024 and March 3, 2023 June 2, 2023 were as follows:

(dollars in millions)

(dollars in millions)

(dollars in millions)

		2024		2023		% Change			2024		2023		% Change	
		2024		2023					2024		2023			
Creative Cloud	Creative Cloud	\$3,126	\$	\$2,852	10		10 %		\$6,192	\$	\$5,613	10		10 %
Creative Cloud														
Creative Cloud														
Document Cloud														
Document Cloud														
Document Cloud	Document Cloud	782	659	659	19		19 %		1,532	1,293	1,293		18	18 %
Total Digital Media revenue	Total Digital Media revenue	\$3,908	\$	\$3,511	11		11 %		\$7,724	\$	\$6,906	12		12 %
Total Digital Media revenue														
Total Digital Media revenue														

Revenue from Digital Media increased \$421 million \$397 million and \$818 million during the three and six months ended March 1, 2024 May 31, 2024 as compared to the three and six months ended March 3, 2023 June 2, 2023 driven by increases in revenue associated with our Creative and Document Cloud subscription offerings due to continued demand amid an increasingly digital environment, strong engagement across customer segments and migrating our customers to higher valued subscription offerings with increased revenue per subscription.

Digital Experience

Revenue from Digital Experience increased \$113 million \$105 million and \$218 million during the three and six months ended March 1, 2024 May 31, 2024 as compared to the three and six months ended March 3, 2023 June 2, 2023 primarily due to net new additions across our subscription offerings.

Geographical Information

(dollars in millions)

(dollars in millions)

(dollars in millions)

		2024		2023		% Change			2024		2023		% Change	
		2024		2023					2024		2023			
Americas	Americas	\$3,188	\$	\$2,879	11		11 %		\$6,298	\$	\$5,658	11		11 %
Americas														
Americas														
Percentage of total revenue														
Percentage of total revenue														
Percentage of total revenue	Percentage of total revenue	60 %		60 %					60 %		60 %			
EMEA	EMEA	1,361	1,213	1,213	12		12 %		2,680	2,386	2,386		12	12 %
EMEA														
EMEA														
Percentage of total revenue														
Percentage of total revenue														
Percentage of total revenue	Percentage of total revenue	26 %		25 %					26 %		25 %			
APAC	APAC	760	724	724	5		5 %		1,513	1,427	1,427		6	6 %
APAC														
APAC														
Percentage of total revenue														

Cost of subscription revenue increased during the three and six months ended **March 1, 2024** **May 31, 2024** as compared to the three and six months ended **March 3, 2023** **June 2, 2023** primarily due to the following:

	Components of % Change
Hosting services and data center costs	6 %
Royalty costs	2
Amortization of intangibles	(3)
Total change	5 %

increases in hosting services and data center costs, partially offset by decreases in amortization of intangibles.

Product

Cost of product revenue is primarily comprised of third-party royalties, localization costs and costs associated with the manufacturing of our products.

Services and Other

Cost of services and other revenue is primarily comprised of compensation and contracted costs incurred to provide consulting services, training and product support, and hosting services and data center costs.

Cost of services and other revenue increased during the three and six months ended **March 1, 2024** **May 31, 2024** as compared to the three and six months ended **March 3, 2023** **June 2, 2023** primarily due to increases in compensation costs, partially offset by decreases in professional and consulting fees.

COSTS.

Operating Expenses for the Three and Six Months Ended **March 1, 2024** **May 31, 2024** and **March 3, 2023** **June 2, 2023**

(dollars in millions)

(dollars in millions)

(dollars in millions)

	2024		2023		% Change		2024		2023		% Change	
Research and development	Research and development	\$984	\$	\$876	12	12 %	\$1,923	\$	\$1,703	13	13 %	
Research and development												
Research and development												
Percentage of total revenue												
Percentage of total revenue												
Percentage of total revenue												
Sales and marketing												
Sales and marketing												
Sales and marketing	1,445	1,345	1,345	7	7 %	2,797	2,646	2,646	6	6 %		
Percentage of total revenue												
Percentage of total revenue												
Percentage of total revenue												
General and administrative												
General and administrative												
General and administrative	355	357	357	(1)	(1)%	707	688	688	3	3 %		
Percentage of total revenue												
Percentage of total revenue												
Percentage of total revenue												
Acquisition termination fee												
Acquisition termination fee												
Acquisition termination fee	—	—	—	—	— %	1,000	—	—	**	**		
Percentage of total revenue												
Percentage of total revenue												
Percentage of total revenue												
Amortization of intangibles												

Amortization of intangibles												
Amortization of intangibles	42	42	42	—	— %	84	84	84	—	— %		
Percentage of total revenue												
Percentage of total revenue												
Percentage of total revenue												
Total operating expenses												
Total operating expenses												
Total operating expenses	\$ 2,826	\$ 2,620	8	8 %	\$ 6,511	\$ 5,121	27	27 %				

Research and Development

Research and development expenses increased during the three and six months ended March 1, 2024 May 31, 2024 as compared to the three and six months ended March 3, 2023 June 2, 2023 due to the following:

	Components of % Change 2024-2023 QTD	Components of % Change 2024-2023 YTD
Hosting services and data center costs	5 %	5 %
Base compensation and related benefits	5	4
Incentive compensation, cash and stock-based	1	2
Various individually insignificant items	1	2
Total change	12 %	13 %

Sales and Marketing

Sales and marketing expenses increased during the three and six months ended March 1, 2024 May 31, 2024 as compared to the three and six months ended March 3, 2023 June 2, 2023 primarily due to increases in compensation costs.

General and administrative expenses consist primarily of compensation and contracted costs, travel expenses and related facilities costs for our finance, facilities, human resources, legal, information services and executive personnel. General and administrative expenses also include outside legal and accounting fees, provision for bad debts, expenses associated with computer equipment and software used in the administration of the business, charitable contributions and various forms of insurance.

General and administrative expenses **increased** **decreased** during the three months ended **March 1, 2024** **May 31, 2024** as compared to the three months ended **March 3, 2023** **June 2, 2023** and **increased** during the six months ended **May 31, 2024** as compared to the six months ended **June 2, 2023** primarily due to **increases in compensation costs, partially offset by decreases in professional and consulting fees, the following:**

	Components of % Change 2024-2023 QTD	Components of % Change 2024-2023 YTD
Incentive compensation, cash and stock-based	2 %	3 %
Base compensation and related benefits	3	2
Professional and consulting fees	(3)	(4)
Charitable contributions	(3)	(1)
Various individually insignificant items	—	3
Total change	(1)%	3 %

Acquisition Termination Fee

During the **three** **six** months ended **March 1, 2024** **May 31, 2024**, we incurred a \$1 billion termination fee which resulted from termination of the Figma transaction.

Non-Operating Income (Expense), Net for the Three and Six Months Ended **March 1, 2024** **May 31, 2024** and **March 3, 2023** **June 2, 2023**

(dollars in millions)

(dollars in millions)

(dollars in millions)

	2024		2023		% Change		2024		2023		% Change	
Interest expense	Interest expense	\$ (41)	\$	\$ (26)	58	58 %	\$ (68)	\$	\$ (58)	17	17 %	
Interest expense												
Interest expense												
Percentage of total revenue												
Percentage of total revenue												
Percentage of total revenue												
Investment gains (losses), net												
Investment gains (losses), net												
Investment gains (losses), net		4	5	5	**	**	22	6	6	**	**	**
Percentage of total revenue												
Percentage of total revenue												
Percentage of total revenue												
Other income (expense), net												
Other income (expense), net												
Other income (expense), net		82	47	47	**	**	152	90	90	**	**	**
Percentage of total revenue												
Percentage of total revenue												
Percentage of total revenue												
Total non-operating income (expense), net												
Total non-operating income (expense), net												
Total non-operating income (expense), net	\$	45	\$	\$ 26	**	**	\$ 106	\$	\$ 38	**	**	**

(*) Percentage is less than 1%.

(**) Percentage is not meaningful.

Interest Expense

Interest expense represents interest associated with our debt instruments. Interest on our senior notes is payable semi-annually, in **arrears, on February 1** **arrears**.

Interest expense increased during the three and August 1, six months ended May 31, 2024 as compared to the three and six months ended June 2, 2023 due to the senior notes issued in April 2024. See Note 14 for further details regarding our debt.

Investment Gains (Losses), Net

Investment gains (losses), net consists principally of unrealized holding gains and losses associated with our deferred compensation plan assets.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest earned on cash, cash equivalents and short-term fixed income investments. Other income (expense), net also includes realized gains and losses on fixed income investments and foreign exchange gains and losses.

Other income (expense), net increased during the three and six months ended March 1, 2024 May 31, 2024 as compared to the three and six months ended March 3, 2023 June 2, 2023 primarily due to increases in interest income driven by higher average cash equivalent balances and average interest rates.

Provision for Income Taxes for the Three and Six Months Ended March 1, 2024 May 31, 2024 and March 3, 2023 June 2, 2023

(dollars in millions)

(dollars in millions)

(dollars in millions)

	2024		2023		% Change	2024		2023		% Change
Provision for income taxes	Provision for income taxes	\$ 357	\$ 355	1		1 %	\$ 705	\$ 706	—	%
Provision for income taxes										
Provision for income taxes										
Percentage of total revenue										
Percentage of total revenue										
Percentage of total revenue										
Effective tax rate										
Effective tax rate										
Effective tax rate										

Our effective tax rate increased decreased by approximately 14 four percentage points for the three months ended March 1, 2024 May 31, 2024, as compared to the three months ended March 3, 2023 June 2, 2023, primarily due to an increase in the net tax benefit from effects of non-U.S. operations during the three months ended May 31, 2024. Our effective tax rate increased by approximately two percentage points for the six months ended May 31, 2024, as compared to the six months ended June 2, 2023, primarily due to the Figma acquisition termination fee incurred during the three six months ended March 1, 2024 May 31, 2024 which was not deductible for financial statement purposes. The increase was partially offset by a net tax benefit related to stock-based compensation recorded during the three months ended March 1, 2024, as compared to a net tax expense related to stock-based compensation recorded during the year-ago period.

Our effective tax rate for the three months ended March 1, 2024 May 31, 2024 was lower than the U.S. federal statutory tax rate of 21% primarily due to the net tax benefits from effects of non-U.S. operations and the U.S. federal research tax credit, partially offset by state taxes. Our effective tax rate for the six months ended May 31, 2024 was higher than the U.S. federal statutory tax rate of 21% primarily due to the Figma acquisition termination fee which was not deductible for financial statement purposes and, to a lesser extent, from state taxes partially offset by the net tax benefits from effects of non-U.S. operations and the U.S. federal research tax credit.

We recognize deferred tax assets to the extent that we believe these assets are more likely than not to be realized based on evaluation of all available positive and negative evidence. On the basis of this evaluation, we continue to maintain a valuation allowance to reduce our deferred tax assets to the amount realizable. The total valuation allowance was \$677 million \$699 million as of March 1, 2024 May 31, 2024, primarily related to certain state credits and capital loss carryforwards.

We are a U.S.-based multinational company subject to tax in multiple domestic and foreign tax jurisdictions. The current U.S. tax law subjects the earnings of certain foreign subsidiaries to U.S. tax and generally allows an exemption from taxation for distributions from foreign subsidiaries.

In the current global tax policy environment, the domestic and foreign governing bodies continue to consider, and in some cases introduce, changes in regulations applicable to corporate multinationals such as Adobe. As regulations are issued, we account for finalized regulations in the period of enactment.

The provision from the U.S. Tax Act which requires us to capitalize and amortize research and development costs became effective in fiscal 2023. If the rule is not modified, there will continue to be an adverse impact on our effective rates for income taxes paid, which is partially offset by a benefit to our effective tax rates from the increase in the foreign-derived intangible income deduction.

Accounting for Uncertainty in Income Taxes

The gross liabilities for unrecognized tax benefits excluding interest and penalties were \$666 million \$689 million and \$330 million \$352 million as of March 1, 2024 May 31, 2024 and March 3, 2023 June 2, 2023, respectively. If the total unrecognized tax benefits as of March 1, 2024 May 31, 2024 and March 3, 2023 June 2, 2023 were recognized, \$502 million \$519 million and \$214 million \$230 million would decrease the respective effective tax rates.

As of **March 1, 2024** **May 31, 2024** and **March 3, 2023** **June 2, 2023**, the combined amounts of accrued interest and penalties included in long-term income taxes payable related to tax positions taken on our tax returns were not material.

The timing of the resolution of income tax examinations is highly uncertain as are the amounts and timing of tax payments that are part of any audit settlement process. These events could cause large fluctuations in the balance sheet classification of our tax assets and liabilities. We believe that within the next 12 months, it is reasonably possible that either certain audits will conclude or statutes of limitations on certain income tax examination periods will expire, or both. Although the timing of resolution, settlement and closing of audits is not certain, it is reasonably possible that the underlying unrecognized tax benefits may decrease by up to \$70 million over the next 12 months.

Our future effective tax rates may be materially affected by changes in the tax rates in jurisdictions where our income is earned, changes in jurisdictions in which our profits are determined to be earned and taxed, changes in the valuation of our deferred tax assets and liabilities, changes in or interpretation of tax rules and regulations in the jurisdictions in which we do business, or unexpected changes in business and market conditions that could reduce certain tax benefits.

In addition, tax laws in the United States as well as other countries and jurisdictions in which we conduct business are subject to change as new laws are passed and/or new interpretations are made available. These countries, governmental bodies, such as the European Commission of the European Union, and intergovernmental economic organizations, such as the Organization for Economic Cooperation and Development, have made or could make unprecedented assertions about how taxation is determined and, in some cases, have proposed or enacted new laws that are contrary to the way in which rules and regulations have historically been interpreted and applied. Changes in our operating landscape, such as changes in laws and/or interpretations of tax rules, could adversely affect our effective tax rates and/or cause us to respond by making changes to our business structure which could adversely affect our operations and financial results.

Moreover, we are subject to the examination of our income tax returns by domestic and foreign tax authorities. 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 potential adjustments that may result from these examinations. Our policy is to record interest and penalties related to unrecognized tax benefits in income tax expense. While we believe our tax estimates are reasonable, we cannot provide assurance that the final determination of any of these examinations will not have an adverse effect on our financial position and results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Our primary source of cash is receipts from revenue. Other customary sources of cash include proceeds from maturities and sales of short-term investments. Our primary uses of cash are general business expenses including payroll and related benefits costs, income taxes, marketing and third-party hosting services, as well as our stock repurchase program as described below. Other customary sources of cash include proceeds from maturities and sales of short-term investments. Other customary uses of cash include business acquisitions, repayment of maturing senior notes, purchases of property and equipment and payments for taxes related to net share settlement of equity awards.

This data should be read in conjunction with our condensed consolidated statements of cash flows.

(in millions)	As of					
	(in millions)	March 1, 2024	December 1, 2023	(in millions)	May 31, 2024	December 1, 2023
Cash and cash equivalents						
Short-term investments						
Working capital						
Stockholders' equity						

A summary of our cash flows is as follows:

		Three Months Ended		Six Months Ended		
(in millions)	(in millions)	March 1, 2024	March 3, 2023	(in millions)	May 31, 2024	June 2, 2023
Net cash provided by operating activities						
Net cash provided by investing activities						
Net cash used for financing activities						
Effect of foreign currency exchange rates on cash and cash equivalents						
Net change in cash and cash equivalents						
Cash Flows from Operating Activities						

Net cash provided by operating activities of **\$1.17** **\$3.11** billion for the **three** **six** months ended **March 1, 2024** **May 31, 2024** was primarily comprised of net income adjusted for the net effect of non-cash items. **During** **Payment of the three months ended March 1, 2024, the \$1 billion Figma termination fee of \$1 billion was paid using cash on hand.** **This during the six months ended May 31, 2024 had an adverse impact on net income and consequently, on our cash flows from operations.** **Working capital uses of cash included increases in prepaid expenses and other assets, offset by decreases in trade receivables driven by strong collections.**

Cash Flows from Investing Activities

Net cash provided by investing activities of **\$66 million** **\$177 million** for the **three** **six** months ended **March 1, 2024** **May 31, 2024** was primarily due to maturities and sales of short-term investments partially offset by ongoing capital expenditures and investments of certain deferred compensation.

Cash Flows from Financing Activities

Net cash used for financing activities of ~~\$2.13 billion~~ ~~\$2.77 billion~~ for the ~~three~~ ~~six~~ months ended ~~March 1, 2024~~ ~~May 31, 2024~~ was primarily due to payments for our common stock repurchases and taxes paid related to the net share settlement of equity awards. ~~The above~~ ~~These~~ uses of cash were offset in part by proceeds from ~~re-issuance~~ ~~the issuance~~ of ~~treasury stock related to our employee stock purchase plan~~, ~~senior notes~~. See the ~~section~~ ~~sections~~ titled "~~Senior Notes~~" and "~~Stock Repurchase Program~~" below.

Liquidity and Capital Resources Considerations

Our existing cash, cash equivalents and investment balances may fluctuate during fiscal 2024 due to changes in our planned cash outlay.

Cash from operations could also be affected by various risks and uncertainties, including, but not limited to, risks detailed in the section titled "Risk Factors" in titled Part II, Item 1A of this report. Based on our current business plan and revenue prospects, we believe that our existing cash, cash equivalents and investment balances, our anticipated cash flows from operations and our available revolving credit facility will be sufficient to meet our working capital, operating resource expenditure and capital expenditure requirements for the next twelve ~~months~~, ~~months and for the foreseeable future~~.

Our cash equivalent and short-term investment portfolio as of ~~March 1, 2024~~ ~~May 31, 2024~~ consisted of ~~asset-backed securities~~, ~~money market funds~~, corporate debt securities, ~~money market funds~~, ~~U.S. Treasury securities~~, ~~time deposits~~, U.S. agency securities and ~~U.S. Treasury~~ ~~asset-backed~~ securities. We use professional investment management firms to manage a large portion of our invested cash.

We expect to continue our investing activities, including short-term and long-term investments, purchases of computer and server hardware to operate our network infrastructure, sales and marketing, product support and administrative staff, and facilities expansion. Furthermore, cash reserves may be used to repurchase stock under our stock repurchase program and to strategically acquire companies, products or technologies that are complementary to our business.

Revolving Credit Agreement

We have a \$1.5 billion senior unsecured revolving credit agreement (the "Revolving Credit Agreement") with a syndicate of lenders, providing for loans to us and certain of our subsidiaries through June 30, 2027. Subject to the agreement of lenders, we may obtain up to an additional \$500 million in commitments, for a maximum aggregate commitment of \$2 billion. As of ~~March 1, 2024~~ ~~May 31, 2024~~, there were no outstanding borrowings under the Revolving Credit Agreement and the entire \$1.5 billion credit line remains available for borrowing. Under the terms of our Revolving Credit Agreement, we are not prohibited from paying cash dividends unless payment would trigger an event of default or if one currently exists. We do not anticipate paying any cash dividends in the foreseeable future.

Commercial Paper Program

In September 2023, we established a commercial paper program under which we may issue unsecured commercial paper up to a total of \$3 billion outstanding at any time, with maturities of up to 397 days from the date of issue. The net proceeds from the issuance of commercial paper are expected to be used for general corporate purposes, which may include working capital, capital expenditures, acquisitions, stock repurchases, refinancing indebtedness or any other general corporate purposes. As of ~~March 1, 2024~~ ~~May 31, 2024~~, there were no outstanding borrowings under the commercial paper program.

Senior Notes

~~We~~ In April 2024, we issued \$500 million of senior notes due April 4, 2027, \$750 million of senior notes due April 4, 2029 and \$750 million of senior notes due April 4, 2034. In total, we have ~~\$3.65 billion~~ ~~\$5.65 billion~~ senior notes outstanding, which rank equally with our other unsecured and unsubordinated indebtedness. As of ~~March 1, 2024~~ ~~May 31, 2024~~, the carrying value of our senior notes was ~~\$3.64 billion~~ ~~\$5.63 billion~~ and our maximum commitment for interest payments was ~~\$276 million~~ ~~\$900 million~~ for the remaining duration of our outstanding senior notes. Interest is payable semi-annually, in ~~arrears, on February 1 and August 1~~, ~~arrears~~. Our senior notes do not contain any financial covenants. See Note 14 of our notes to condensed consolidated financial statements for further details regarding our debt.

During the first quarter of fiscal 2024, we reclassified the senior notes due February 1, 2025 as current debt in our condensed consolidated balance sheets. As of ~~March 1, 2024~~ ~~May 31, 2024~~, the carrying value of our current debt was \$1.50 billion, net of the related discount and issuance costs. ~~We~~ ~~Though we~~ intend to refinance the current portion of our debt on or before the due ~~date~~, ~~date, the timing of the refinancing may be impacted by market conditions~~.

Contractual Obligations

Our principal commitments as of ~~March 1, 2024~~ ~~May 31, 2024~~ consisted of purchase obligations resulting from agreements to purchase goods and services in the ordinary course of business and obligations under operating lease arrangements. During the first quarter of fiscal 2024, we executed agreements associated with certain of our long-term supplier commitments that increased our minimum purchase obligations by \$2.3 billion through December 2028. There have been no other material changes in those obligations during the ~~three~~ ~~six~~ months ended ~~March 1, 2024~~ ~~May 31, 2024~~.

Stock Repurchase Program

To facilitate our stock repurchase program, designed to return value to our stockholders and minimize dilution from stock issuances, we may repurchase our shares in the open market or enter into structured repurchase agreements with third parties. In December 2020, our Board of Directors granted authority to repurchase up to \$15 billion in our common stock, which became fully utilized during the six months ended May 31, 2024. In March 2024, our Board of Directors granted additional authority to repurchase up to ~~\$25 billion in our common stock through the end of fiscal 2024~~, ~~March 14, 2028~~.

During the ~~three~~ ~~six~~ months ended ~~March 1, 2024~~ ~~May 31, 2024~~, we entered into an accelerated share repurchase ~~agreement~~ ~~agreements~~ ("ASR" ~~ASRs~~) with a large financial ~~institution~~ ~~institutions~~ whereupon we provided them with a prepayment of \$2 billion and received an initial delivery of 2.5 million shares of our common stock. Subsequent to March 1, 2024, the ASR was settled which resulted in total repurchases of 3.5 million shares at an average price of \$578.11, ~~prepayments totaling \$4.5 billion~~.

During the **three six** months ended **March 1, 2024** **May 31, 2024**, we repurchased a total of **3.1 million** **7.7 million** shares, including approximately **0.6 million** **0.6 million** shares at an average price of \$626.68 through a structured repurchase agreement entered into during fiscal 2023, **as well as 2.5 million**

3.5 million shares at an average price of \$578.11 through an ASR entered into in December 2023, and 3.6 million shares from the initial delivery of an ASR entered into in March 2024. Subsequent to May 31, 2024, the ASR.

ASR entered into in March 2024 was settled which resulted in total repurchases of 5.2 million shares at an average price of \$475.94.

Subsequent to **March 1, 2024** **May 31, 2024**, our Board of Directors granted us additional authority to repurchase up to \$25 billion in our common stock through **March 14, 2028. Thereafter**, as part of **both** the **December 2020 and** March 2024 stock repurchase **authorities, authority**, we entered into an ASR with a large financial institution whereupon we provided them with a prepayment of \$2.5 billion and received an initial delivery of **3.6 million** **3.6 million** shares, which represents approximately 75% of our prepayment. Upon completion of **the this** \$2.5 billion ASR, **\$22.65 billion** **\$20.15 billion** remains under our March 2024 **authority and there is no remaining balance under our December 2020 stock repurchase** authority.

See Note 11 of our notes to condensed consolidated financial statements for further details regarding our stock repurchase program.

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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk exposures for the **three six** months ended **March 1, 2024** **May 31, 2024**, as compared to those discussed in our Annual Report on Form 10-K for the fiscal year ended December 1, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Based on their evaluation as of **March 1, 2024** **May 31, 2024**, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective at the reasonable assurance level to ensure that the information required to be disclosed by us in this Quarterly Report on Form 10-Q was (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the quarter ended **March 1, 2024** **May 31, 2024** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Adobe have been detected.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 13 of our notes to condensed consolidated financial statements for information regarding our legal proceedings.

ITEM 1A. RISK FACTORS

As previously discussed, our actual results could differ materially from our forward-looking statements. Below we discuss some of the factors that could cause these differences. The occurrence of these and many other factors described in this report, and factors that we do not presently know or that we currently believe to be immaterial,

could materially and adversely affect our operations, performance and financial condition. Many factors affect more than one category and the factors are not in order of significance or probability of occurrence because they have been grouped by categories.

Risks Related to Our Ability to Grow Our Business

We may be unsuccessful at innovating in response to rapid technological changes to meet customer needs, which could cause our operating results to suffer.

We operate in rapidly evolving markets and expect the pace of innovation to continue to accelerate. We must continually introduce new, and enhance existing, products, services and solutions to retain customers and attract new customers. Developing new products is complex and may not be profitable, and our investments in new technologies are speculative and may not yield the expected business or financial benefits. The commercial success of new or enhanced products, services and solutions depends on a number of factors, including timely and successful development; effective distribution and marketing; market acceptance; compatibility with existing and emerging standards, platforms, software delivery methods and technologies; accurately predicting and anticipating customer needs and expectations and the direction of technological change; identifying and innovating in the right technologies; and differentiation from other products, services and solutions. If we fail to anticipate or identify technological trends or fail to devote appropriate resources to adapt to such trends, our business could be harmed. For example, generative artificial intelligence technologies provide new ways of marketing, creating content and interacting with documents that could disrupt industries in which we operate, and our business may be harmed if we fail to invest or adapt. While we have released new generative artificial intelligence products, such as Adobe Firefly, and are focused on enhancing the artificial intelligence ("AI") capabilities of such products and incorporating AI into existing products, services and solutions, there can be no assurance that our products will be successful or that we will innovate effectively to keep pace with the rapid evolution of AI across our Creative Cloud, Document Cloud and Experience Cloud. If we do not successfully innovate, adapt to rapid technological changes and meet customer needs, our business and our financial results may be harmed.

Issues relating to the development and use of AI, including generative AI, in our offerings may result in reputational harm, liability and adverse financial results.

Social and ethical issues relating to the use of AI, including generative AI, in our offerings may result in reputational harm, liability and additional costs. We are increasingly incorporating AI technologies into many of our offerings. If our AI development, deployment, content labeling or governance is ineffective or inadequate, it may result in incidents that impair the public acceptance of AI solutions or cause harm to individuals, customers or society, or result in our offerings not working as intended or producing unexpected outcomes.

Around the world, AI regulation is in the nascent stages of development. The evolving AI regulatory environment may increase our research and development costs, increase our liability related to the use of AI by our customers or users that are beyond our control and result in inconsistencies in evolving legal frameworks across jurisdictions. While we have taken a responsible approach to the development and use of AI in our offerings, there can be no guarantee that future AI regulations will not adversely impact us or conflict with our approach to AI, including affecting our ability to make our AI offerings available without costly changes, requiring us to change our AI development practices, monetization strategies and/or indemnity protections and subjecting us to additional compliance requirements, regulatory action, competitive harm or legal liability. In addition, new competition regulation on AI development and deployment could impose new requirements on our markets that could impact our business and financial results.

Uncertainty around new and evolving AI use, including generative AI, may require additional investment to develop responsible use frameworks, develop or license proprietary datasets and machine learning models and develop new approaches and processes to attribute or compensate content creators, which could be costly. Developing, testing and deploying AI systems may also increase the cost of our offerings, including due to the nature of the computing costs involved in such systems. These costs could adversely impact our margins as we continue to add AI capabilities to our offerings and scale our AI offerings without assurance that our customers and users will adopt them. Further, as with any new offerings based on new technologies, consumer reception and monetization pathways are uncertain, our strategies may not be successful and our business and financial results could be adversely impacted. New AI offerings and technologies could disrupt workforce needs, result in negative publicity about AI and have the potential to affect demand for our existing products, services and solutions, all of which could adversely impact our business.

We may not realize the anticipated benefits of investments or acquisitions, and they may disrupt our business and divert management's attention.

Investments and acquisitions involve numerous risks and uncertainties, the occurrence of which may have an adverse effect on our business. These risks and uncertainties include:

- inability to achieve the financial and strategic goals of the investment or acquisition;
- difficulty in effectively integrating the operations, technologies, products, services, solutions, culture or personnel of the acquired business;
- disruption of our ongoing business and distraction of our management and other personnel;
- challenges to completing or failure to complete an announced investment or acquisition related to the failure to obtain regulatory approval, or the need to satisfy certain conditions precedent to closing such transaction (such as divestitures, ownership or operational restrictions or other structural or behavioral remedies) that could limit the anticipated benefits of the transaction;
- entry into markets in which we have minimal prior experience and where competitors in such markets have stronger market positions;
- inability to retain personnel, key customers, distributors, vendors and other business partners of the acquired business;
- delay in customer and distributor purchasing decisions due to uncertainty about the direction of our product and service offerings;
- incurring higher than anticipated costs to effectively integrate an acquired business, to bring an acquired company into compliance with applicable laws and regulations, additional compensation issued or assumed in connection with an acquisition, to divest products, services or solutions acquired in unsuccessful investments or acquisitions, to amortize costs for acquired intangible assets or because of our inability to take advantage of anticipated tax benefits;
- increased collection times, elevated delinquency or bad debt write-offs related to receivables of an acquired business we assume;
- difficulty in maintaining controls, procedures and policies during the transition and integration and inability to conclude that our internal controls over financial reporting are effective;

- potential identified or unknown security vulnerabilities in acquired products that expose us to additional security risks or delay our ability to integrate the product into our offerings;
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition;
- incurrence of additional debt to finance an acquisition, which will increase our interest expense and leverage, and/or issuance of equity securities to finance acquisitions, which will dilute current shareholders' percentage ownership and earnings per share; and
- failure to identify significant problems, liabilities or other challenges during due diligence.

Our ability to acquire other businesses or technologies, make strategic investments or integrate acquired businesses effectively may also be impaired by adverse economic and political events, including trade tensions, and increased global scrutiny of acquisitions and strategic investments. A number of countries, including the United States and countries in Europe and the Asia-Pacific region, are considering or have adopted more stringent restrictions or guidelines for such transactions. Governments may continue to adopt or tighten restrictions of this nature, and such restrictions or government actions could negatively impact our business and financial results. Further, if we are not able to complete an announced acquisition or investment, or we do not achieve the financial and strategic goals of an acquisition or investment, we may not realize the anticipated benefits of such acquisition or investment or we may incur additional costs, which may negatively impact our business and financial results.

We participate in rapidly evolving and intensely competitive markets, and, if we do not compete effectively, our operating results could suffer.

The markets for our products, services and solutions are rapidly evolving and intensely competitive. We expect competition to continue to intensify. Our competitors range in size from diversified global companies with significant sales and research and development resources, broad brand awareness, long operating histories or access to large customer bases to small, specialized companies whose narrow focuses may allow them to be more effective in deploying technical, marketing and financial resources. Our competitors may develop products, services or solutions that are similar to ours or that achieve greater acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. As a result, current and potential customers may select the products, services or solutions of our competitors. Further, our future success depends on our continued ability to effectively appeal to businesses and consumers. New industry standards, evolving distribution models, limited barriers to entry, short product life cycles, customer price sensitivity, global market conditions and the frequent entry of new products or competitors may create downward pressure on pricing and gross margins and adversely affect our renewal, upsell and cross-sell rates as well as our ability to attract new customers. In addition, we expect to face more competition as AI continues to be integrated into the markets in which we compete. Our competitors or other third parties may incorporate AI into their offerings more successfully than we do and achieve greater and faster adoption, which could impair our ability to compete effectively and adversely affect our business and financial results. Further, we expect the markets for standalone AI offerings to be highly competitive and rapidly evolving. For example, we face increasing competition from companies offering text-to-image generative AI technology that may compete directly with our own creative offerings. If we are not able to provide products, services and solutions that compete effectively, we could experience reduced sales and our business could be adversely affected. *For additional information regarding our competition and the risks arising out of the competitive environment in which we operate, see the section titled "Competition" contained in Part I, Item 1 of our Annual Report on Form 10-K.*

If our reputation or our brands are damaged, our business and financial results may be adversely affected.

We believe our reputation and brands have been, and we expect them to continue to be, important to our business and financial results. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. There are numerous ways that our reputation or brands could be damaged, including, among other things, introduction of new products, features or services that do not meet customer expectations, expectations; our position on or approach to new and evolving technologies, technologies; backlash from customers, government entities or other stakeholders that disagree with our product offering decisions or public policy positions, positions; significant litigation or regulatory actions that negatively reflect on our business practices, practices; our action or inaction or actual or perceived failure to meet our commitments on environmental, social and governance, ethical or political issues, issues; public scrutiny regarding our handling of user privacy, data practices or content, content; data security breaches or compliance failures, failures; or our approach to AI. Further, our brands may be negatively affected by uses of our products, services or solutions, particularly our AI offerings, in ways that are out of our control, such as to create or disseminate content that is deemed to be misleading, deceptive or intended to manipulate public opinion, or for illicit, objectionable or illegal ends, or by our failure to respond appropriately and in a timely manner to such uses. Such uses may result in controversy or claims related to defamation, rights of publicity, illegal content, intellectual property infringement, harmful content, misinformation and disinformation, harmful bias, misappropriation, data privacy, derivative uses of third-party AI and personal injury torts. If we fail to appropriately respond to objectionable content created using our products, services or solutions or shared on our platforms, our users may lose confidence in our brands. Entry into markets with weaker protection of brands or changes in the legal systems in countries in which we operate may also impact our ability to protect our brands. If we fail to maintain, enhance or protect our brands, or if we incur excessive expenses in our efforts to do so, our business and financial results may be adversely affected.

Risks Related to the Operation of Our Business

Service interruptions or failures of our or third-party information technology systems may impair the availability of our products, services and solutions, which may expose us to liability, damage our reputation and harm our future financial results.

Much of our business, including our online store at adobe.com and our Creative Cloud, Document Cloud and Experience Cloud solutions, relies on hardware and services that are hosted, managed and controlled directly by us or third-party service providers to be available to customers and users without disruption. We do not have redundancy for all our systems, many of our critical applications ("apps") reside in only one of our data centers, and our disaster recovery planning may not account for all eventualities. If any critical third-party service provider of hosting or content delivery services is negatively affected or becomes unavailable to us for any reason, we may not be able to deliver the corresponding products, services or solutions to our customers and users. Failure of our systems or those of our third-party service providers could disrupt our business operations and those of our customers, subject us to reputational harm, require costly and time-intensive notifications, and cause us to lose customers, users 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, services and solutions to customers and result in increased costs and liabilities, which may harm our operating results, reputation 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 applicable notification requirements or other relevant contractual obligations to our customers. 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. We may also find, on occasion, that we cannot deliver data and reports to our customers in near real-time due to factors such as significant spikes in customer activity on their websites or failures of our network or software (or that of a third-party service provider). If we fail to plan infrastructure capacity appropriately and expand it proportionally with the needs of our customer and user base, and we experience a rapid and significant demand on the capacity of our data centers or those of third parties, service outages or performance issues could occur, which may impact our customers. Such a strain on our infrastructure capacity may subject us to regulatory and customer notification requirements, violations of service level agreement commitments or financial liabilities and result in customer dissatisfaction or harm our business. If we supply materially inaccurate information or experience significant interruptions in our systems, our reputation could be harmed, we could lose customers and we could be found liable for damages or incur other losses.

Security incidents, improper access to or disclosure of our customers' data or other cyber incidents may harm our reputation and materially and adversely affect our business.

Our products, services and solutions collect, store, manage and otherwise process third-party data, including our customers' data and our own data. Such products, services and solutions as well as our technologies, systems and networks have been subject to, and may in the future be subject to, cyberattacks, computer viruses, ransomware or other malware, fraud, worms, social engineering, denial-of-service attacks, malicious software programs, insider threats and other cybersecurity incidents that have in the past, and may in the future, result in the unauthorized access, disclosure, acquisition, use, loss or destruction of sensitive personal or business data belonging to us and our customers.

Cybersecurity incidents can be caused by human error from our workforce or that of our third-party service providers, by malicious third parties, acting alone or in groups, or by more sophisticated organizations, including nation-states and state-sponsored organizations. Such risks may be elevated in connection with geopolitical tensions, including the Russia-Ukraine war. Certain unauthorized parties have in the past managed, and may in the future manage, to overcome our security measures and those of our third-party service providers to access and misuse systems and software by exploiting defects in design or manufacture, including bugs, vulnerabilities and other problems that unexpectedly compromise the security or operation of a product or system. Further, malicious third parties have in the past attempted, and may in the future attempt, to fraudulently induce our employees or users of our products, services or solutions to disclose sensitive, personal or confidential information via illegal electronic spamming, phishing or other tactics, and this risk is heightened in our current hybrid model working environment. Malicious actors may engage in fraudulent or abusive activities through our products, services and solutions, including unauthorized use of accounts through stolen credentials, use of stolen credit cards or other payment vehicles, failure to pay for services accessed, or other activities that violate our terms of service. While we actively combat such fraudulent activities, we have experienced, and may in the future experience, impacts to our revenue from such activities. Further, unauthorized parties may also gain physical access to our facilities and infiltrate our information systems or attempt to gain logical access to our products, services or information systems to access content and data. The loss of or unauthorized access to data, such as resulting from computer viruses, worms, ransomware or other malware may harm our systems, expose us to litigation or regulatory investigation and subject us to costly and time-intensive notification requirements.

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, regularly reviewing our service providers' security controls, reviewing and auditing our products, services and solutions against information security control frameworks, providing resources, such as security training, to our workforce, and continually assessing and improving, as appropriate, our incident response process. Despite our preventative efforts, there is no assurance that our security measures will provide full effective protection from such events. The costs to prevent, eliminate, mitigate or remediate cybersecurity or other security problems and vulnerabilities are significant and may reduce our operating margins. Further, our efforts to address these problems, including notifying affected third parties when appropriate, have in the past been, and may in the future be, unsuccessful or delayed, which could result in business interruptions, cessation of service and loss of existing or potential customers.

Maintaining the security of our products, services and solutions is a critical issue for us and our customers. It is impossible to predict the extent, frequency or impact cybersecurity issues may have on us. 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 could expose us, our employees, our customers or other individuals affected to a risk of loss or misuse of this information. Actual or perceived security vulnerabilities or incidents may result in claims or litigation and liability or fines (and have in the past led to such claims), costly and time-intensive notice requirements, governmental inquiry or oversight or a loss of customer confidence, any of which could harm our business and damage our brand and reputation. Our customers may also adopt security measures to protect their computer systems and their instances of our software from attack and may suffer a cybersecurity attack on their own systems, unrelated to our systems. Even if such breach is unrelated to our security systems, solutions or programs, such breach could cause us reputational harm and require us to incur significant economic and operational consequences to adequately assess and respond to their breach, and to implement additional safeguards designed to protect against future breaches.

While we maintain insurance to cover operational risks, such as cyber risk and technology outages, our insurance may not be sufficient to cover all liability described herein. These risks will likely increase as we expand our hosted offerings, integrate our products, services and solutions and store and process more data. Moreover, delayed sales, lower margins or lost customers resulting from disruptions caused by cyberattacks, overly burdensome preventative security measures or failure to fully meet information security control certification requirements could materially and adversely affect our financial results, stock price and reputation.

If we are unable to develop, manage and maintain critical third-party relationships, such as our sales, partner and distribution channels, suppliers and service providers, our revenue and business may be adversely affected.

We contract with a number of software distributors and other third parties to distribute our products, services and solutions, none of which are individually responsible for a material amount of our total net revenue in any recent period. Successfully managing our distribution channels and sales partners to reach various customers for our products, services and solutions is a complex and global process. If an agreement with one of our distributors or partners was terminated, any prolonged delay in securing a replacement distributor or partner could have a negative impact on our results of operations. We also face legal risk and potential reputational harm from the activities of these independent third parties including, but not limited to, export control violations, workplace conditions, corruption and anti-competitive behavior.

If our partner and distribution channels are not effective or if we stop or change our partner or distribution channels, we may lose sales opportunities, customers and revenue. We rely on third-party distribution platforms and are subject to changes in pricing structure, terms of service, privacy practices and other policies at the discretion of the platform provider. Any adverse changes to the terms with such third-party distribution platforms which we rely on to distribute our products, services and solutions may

adversely affect our financial results. Additionally, our distribution channels may not continue to market or sell our products, services and solutions effectively and may favor products, services and solutions of other companies.

We sell many products, services and solutions through our direct sales force. Risks associated with this sales channel include challenges related to hiring, retaining and motivating our direct sales force, and substantial amounts of ongoing training for sales representatives. Our business could be harmed if our direct sales expansion efforts do not generate the corresponding efficiencies and revenue we anticipated from such investment. 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.

We rely on third-party service providers and technologies to deliver our products, services and business operations and to operate critical business systems, such as cloud-based infrastructure, data center facilities, encryption and authentication technology and company email, communications with customers. If such third parties are negatively affected, if we fail to effectively develop, manage and maintain our relationships with such third parties, or if we are unable to renew our agreements with them on favorable terms or at all, our expenses could significantly increase, and we and our customers may experience service interruptions. Any disruption or damage to, or failure of our systems generally, including the systems of our third-party platform providers, could result in interruptions in our services and harm our business. Further, interruptions in our services caused by us or our third-party service providers may cause us to issue credits or pay penalties, cause customers to make warranty or other claims against us or to terminate their subscriptions or contracts, and adversely affect our attrition rates and our ability to attract new customers, all of which may adversely affect our financial results. Our business and reputation would also be harmed if our customers and potential customers believe our services are unreliable.

We face various risks associated with our operating as a multinational corporation, and global adverse economic conditions may harm our business and financial condition.

We derive a large portion of our total revenue from, and have significant operations, outside of the United States. As a multinational corporation, we are subject to a number of risks, including from global adverse economic conditions, that are uncertain and beyond our control and that make forecasting operating results and decisions about future investments difficult, such as:

- inflation and actions taken by central banks to counter inflation, including increasing interest rates;
- international and regional economic, political and labor conditions, including any instability or security concerns abroad, such as uncertainty caused by economic sanctions, downturns and recessions, trade disputes, armed conflicts and wars;
- 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, including antitrust and competition regulations;
- changes in laws governing the free flow of data across international borders;
- inadequate local infrastructure and difficulties in managing and staffing international operations;
- costs, potential liability, delays or loss of sales resulting from trade restrictions imposed by the United States and other countries, as well as trade laws, including but not limited to economic sanctions and export controls;
- costs and delays associated with developing products in multiple languages; and
- operating in locations with a higher rate of corruption and fraudulent business practices.

Additionally, third parties we do business with and our customers have international operations and are also subject to the above risks. Adverse changes in global economic conditions have in the past resulted and may in the future result in our customers' and business partners' insolvency, inability to obtain credit to finance or purchase our products, services and solutions, or a delay in paying or an inability to pay their obligations to us. Other third parties, such as our service providers, suppliers and distributors, may be unable to deliver or be delayed in delivering critical services, products or technologies that we rely on, and our business and reputation may be harmed. Our customers' spending rate and demand for our products, services and solutions may also be adversely affected by the above risks. If our global sales are reduced, delayed or canceled because of any of the above risks, our revenue may decline.

Further, a disruption in global financial markets could impair our banking partners, on which we rely for operating cash management, capital market transactions and derivative programs. Such disruption could also negatively impact our customers' ability to pay us due to delays or inability to access their existing cash.

As of **March 1, 2024** **May 31, 2024**, our investment portfolio consisted of **asset-backed securities**, **money market funds**, corporate debt securities, **money market funds**, **U.S. Treasury securities**, **time deposits**, U.S. agency securities and **U.S. Treasury asset-backed securities**. These investments are subject to credit, liquidity, market, and interest rate risks as well as economic downturns or events that affect global or regional financial markets that may cause the value of our investments to decline, requiring impairment charges, which could adversely affect our financial condition.

If we are unable to recruit and retain key personnel, our business may be harmed, and our hybrid work model may present challenges, which could adversely impact our business.

Much of our future success depends on the continued service, availability and performance of our senior management and highly skilled personnel across all levels of our organization. Our senior management has acquired specialized knowledge and skills with respect to our business, and the loss of any of these individuals could harm our business, especially if we are not successful in developing adequate succession plans. Our efforts to attract, develop, integrate and retain highly skilled employees may be compounded by intensified restrictions on travel, immigration or the availability of work visas. The technology industry is often subject to substantial and continuous competition

for talent, particularly with cybersecurity and AI backgrounds, and demand for cutting-edge or unique skill sets can be highly competitive, both of which are heightened with the increased availability of hybrid or remote working arrangements. We face an increasingly difficult challenge to attract and retain highly qualified security personnel to assist us in combating security threats. We may experience higher compensation costs to retain and recruit senior management and highly skilled personnel that may not be offset by improved productivity or increased sales.

Our hybrid work environment may also present operational and workplace culture challenges, which could negatively affect our ability to execute against our business objectives and retain and recruit personnel.

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 talent in those countries has increased, which may impact our ability to retain these employees and increase our compensation-related expenses.

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

As we continue to target large enterprise customers for certain of our offerings, including Adobe Experience Cloud in our Digital Experience business and our Enterprise Term License Agreements in our Digital Media business, we may face increased costs, longer sales cycles, greater competition and less predictability in completing our sales. For our enterprise customers, the evaluation process may be longer and more involved, and require us to invest more in educating our customers about our products, services and solutions, particularly because the decision to use our products, services and solutions is often an enterprise-wide decision. We may be required to submit more robust proposals, participate in extended proof-of-concept evaluation cycles and engage in more extensive contract negotiations. In addition, our enterprise customers often demand more complex configurations and additional integration services and product features. Adverse macroeconomic conditions have caused, and may cause in the future, delays in our enterprise customers' purchasing decisions. Due to these factors, we often must devote greater sales support to certain enterprise customers, which increases our costs and time required to complete a sale, without assurance that potential customers will ultimately purchase our solutions. We also may be required to devote more services resources to implementation, which increases our costs, without assurance that customers receiving these services will renew or renew at the same level. Since the sales cycles for our enterprise offerings are multi-phased and complex, it is often unpredictable when a given sales cycle will close. Our revenue from enterprise customers may be affected by longer-than-expected sales and implementation cycles, extended collection cycles, potential deferral of revenue and alternative licensing arrangements. 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.

Risks Related to Laws and Regulations

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 compliance, import and export control, anti-boycott, economic sanctions and embargoes, data and transaction processing security, payment card industry data security standards, consumer protection, records management, user-generated content hosted on websites we operate, privacy practices, data residency, corporate governance, antitrust 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, we are subject to the U.S. Foreign Corrupt Practices Act and other anti-corruption and anti-bribery laws, but in other foreign countries, particularly those with developing economies, it is common to engage in practices that would be prohibited under such acts. We cannot provide assurance that our employees, contractors, agents, business partners and vendors will not take actions in violation of our internal policies, U.S. laws or other applicable international laws. Compliance with these laws and regulations may involve significant costs or require changes in our business practices that result in reduced revenue and profitability. Non-compliance could also result in fines, damages, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business and damage to our reputation.

In addition, approximately 50% of our employees are located outside the United States. Accordingly, we are exposed to changes in laws governing our employee relationships in various U.S. and foreign jurisdictions, including laws and regulations regarding wage and hour requirements, fair labor standards, employee data privacy, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll and other taxes, which likely would have a direct impact on our operating costs.

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

We are subject to global data protection, privacy and security laws, regulations and codes of conduct that relate to our various business units and data processing activities, which may include sensitive, confidential, and personal information. These laws, regulations and codes are inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. Government officials and regulators, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This scrutiny can result in new and shifting interpretations of existing laws, thereby further impacting our business. For example, the General Data Protection Regulation ("GDPR") in the European Economic Area, and the United Kingdom continues to be interpreted by European and UK courts in novel ways leading to shifting requirements, country specific differences in application and uncertain enforcement priorities. More recently enacted laws, such as the Personal Information Protection Law in China, and new and emerging state laws in the United States on privacy, data and related technologies, such as the California Consumer Privacy Act, the California Privacy Rights Act, the Colorado Privacy Act and the Virginia Consumer Data Protection Act, as well as industry self-regulatory codes and regulatory requirements, create new privacy and security compliance obligations and expand the scope of potential liability, either jointly or severally with our customers and suppliers. As a security example, pursuant to the U.S. Securities and Exchange Commission's Rules on Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure we are required to make certain disclosures related to material cybersecurity incidents and the reasonably likely impact of such an incident on Form 8-K and will be required to make certain other cybersecurity disclosures on Form 10-K. Determining whether a cybersecurity incident is notifiable or reportable may not be straightforward and any such mandatory disclosures could be costly and lead to negative publicity, loss of customer confidence in the effectiveness of our security measures, diversion of management's attention and governmental investigations.

While we have invested in readiness to comply with applicable requirements, the dynamic and evolving nature of these laws, regulations and codes, as well as their interpretation by regulators and courts, 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), to implement our business models effectively and to adequately address disclosure requirements. These laws, regulations and codes may also impact our innovation and business drivers in developing new and emerging technologies (for example, AI and machine learning) and may impact demand for our offerings and force us to bear the burden of more onerous obligations in our contracts. Perception of our practices, products, services or solutions, even if unfounded, as a violation of individual privacy, data protection rights or cybersecurity requirements, subjects us to public criticism, lawsuits, investigations, claims and other proceedings by regulators, industry groups or other third parties, all of which could disrupt or adversely impact our business and reputation and expose us to increased liability, fines and other punitive measures including prohibition on sales of our products, services or solutions, restrictive judicial orders and disgorgement of data. Additionally, we collect and store information on behalf of our business customers and if our customers fail to comply with contractual obligations or applicable laws, it could result in litigation or reputational harm to us.

Transferring personal information across international borders is complex and subject to legal and regulatory requirements as well as active litigation and enforcement in a number of jurisdictions around the world, each of which could have an adverse impact on our ability to process and transfer personal data as part of our business operations. For example, European data transfers outside the European Economic Area are highly regulated and litigated. The mechanisms that we and many other companies rely upon for European data transfers (for example, Standard Contractual Clauses and the EU - US Data Privacy Framework) are the subject of legal challenge, regulatory interpretation and judicial decisions by the Court of Justice of the European Union. The suitability of Standard Contractual Clauses for data transfer in some scenarios has recently been the subject of legal challenge, and while the United States and the European Union reached agreement on the EU - US Data Privacy Framework, there are legal challenges to that data transfer mechanism as well. We continue to closely monitor for developments related to valid transfer mechanisms available for transferring personal data outside the European Economic Area (including the EU - US Data Privacy Framework) and other countries that have similar trans-border data flow requirements and adjust our practices accordingly. The open judicial questions and regulatory interpretations related to the validity of transfers using Standard Contractual Clauses have resulted in some changes in the obligations required to provide our services in the European Union and could expose us to potential sanctions and fines for non-compliance. Several other countries, including China, Australia, New Zealand, Brazil, Hong Kong and Japan, have also established specific legal requirements for cross-border transfers of personal information and certain countries have also established specific legal requirements for data localization (such as where personal data must remain stored in the country). If other countries implement more restrictive regulations for cross-border data transfers or do not permit data to leave the country of origin, such developments could adversely impact our business and our enterprise customers' business, our financial condition and our results of operations in those jurisdictions.

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 patents, trademarks, trade secrets, copyrights and other intellectual property are valuable assets to us. Infringement or misappropriation of such intellectual property could result in lost revenues and ultimately reduce their value. We protect our intellectual property by relying on federal, state and common law rights in the United States and internationally, as well as a variety of administrative procedures and contractual restrictions. Despite our efforts, protecting our intellectual property rights and preventing unauthorized use of our intellectual property are inherently difficult. For instance, we actively combat software piracy, but we continue to lose revenue due to illegal use of our software. Third parties may illegally copy and sell counterfeit versions of our products. To the extent counterfeit installations and sales replace otherwise legitimate ones, our operating results could be adversely affected. We apply for patents in the United States and in foreign countries, but we are not always successful in obtaining patent protection or in obtaining such protection timely to meet our business needs. Our patents may be invalidated or circumvented. Moreover, due to challenges in detecting patent infringement pertaining to generative AI technologies, it may be more difficult to protect our generative AI and related innovations with patents. Additionally, if we use generative AI in the creation of our source code, we may not be able to rely on copyright to protect such intellectual property. Further, the laws of some foreign countries do not provide the same level of intellectual property protection as U.S. laws and courts and could fail to adequately protect our intellectual property rights. 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. Such loss 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. If we cannot protect our intellectual property against unauthorized copying, use, or other misappropriation, our business could be harmed.

We are, and may in the future become, subject to litigation, regulatory inquiries and intellectual property infringement claims, which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operation and cash flows.

We are subject to various legal proceedings (including class action lawsuits), claims and regulatory inquiries that are not yet resolved and additional claims, enforcement actions and inquiries may arise in the future. Any proceedings, actions, claims or inquiries initiated by or against us, whether successful or not, may be time consuming; result in costly litigation, damage awards, consent decrees, injunctive relief or increased costs of business; require us to change our business practices or products; result in negative publicity; require significant amounts of management time; result in the diversion of significant operational resources, or otherwise harm our business and financial results.

Additionally, we 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. 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 offering certain products, services or solutions, subject us to injunctions restricting our sales, 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 have incurred, and may in the future 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 have not prevailed, and may not in the future prevail, in every lawsuit or dispute. *For further information about specific litigation and proceedings, see the section titled "Legal Proceedings" contained in Part I, Item 1, Note 13 of our Notes to Consolidated Financial Statements of this report.*

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

We are a U.S.-based multinational company subject to tax in multiple domestic and foreign tax jurisdictions. Significant judgment is required in determining our current provision for income taxes and deferred tax assets or liabilities. Tax laws in the United States as well as other countries and jurisdictions in which we conduct business are subject to change as new laws are passed and/or new interpretations are made available, which may have a material impact on our business. These countries, governmental bodies, such as the European Commission of the European Union, and intergovernmental economic organizations, such as the Organization for Economic Cooperation and

Development, have made or could make unprecedented assertions about how taxation is determined and, in some cases, have proposed or enacted new laws that are contrary to the way in which rules and regulations have historically been interpreted and applied.

Changes in our operating landscape, such as changes in laws or interpretations of tax rules, could adversely affect our effective tax rates and/or cause us to respond by making changes to our business structure, which could adversely affect our operations and financial results. Our future effective tax rates are likely to be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, changes in jurisdictions in which our profits are determined to be earned and taxed, changes in the valuation of our deferred tax assets and liabilities, changes in or interpretation of tax rules and regulations in the jurisdictions in which we do business, or unexpected negative changes in business and market conditions that could reduce certain tax benefits. An increase in our effective tax rate would reduce our profitability.

Moreover, we are subject to the examination of our income tax returns by domestic and foreign tax authorities. 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 potential adjustments that may result from these examinations. While we believe our tax estimates are reasonable, we cannot provide assurance that the final determination of any of these examinations will not have an adverse effect on our financial position and results of operations.

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

We provide products, services and solutions, directly and indirectly, to a variety of domestic and foreign government entities, which introduces certain risks and challenges not present in private commercial agreements, including varying governmental budgeting processes, fluctuations due to government spending cuts and shutdowns, highly competitive and lengthy bidding process that may be subject to political influence and adherence to complex procurement regulations and other government-specific contractual requirements. We incur significant up-front time and costs without any assurance that we will win a contract. Operating within a highly regulated industry, we have been and may in the future be subject to audits and investigations relating to our government contracts and any violations could result in termination of contracts and various civil and criminal penalties and administrative sanctions, including payment of fines and suspension or debarment from future government business, as well as harm to our reputation and financial results. We have made, and may continue to make, significant investments to support future sales opportunities in various government sectors, including to obtain various security authorizations and certifications. Such processes are complex, lengthy and can often be delayed. Furthermore, requirements may change, or we may be unable to achieve or sustain one or more government authorizations or certifications, which could affect our ability to sell to government entities until we meet any revised requirements.

Risks Related to Financial Performance

If there is a change in subscriptions or renewals in a reporting period, this could cause our financial results to suffer and may not be immediately reflected in our revenue and financial results for that period because we recognize revenue over the subscription term.

Our offerings are typically subscription-based, pursuant to product and service agreements. We generally recognize revenue from our subscription offerings ratably over the terms of their subscription agreements, which typically range from 1 to 36 months. As a result, most of the subscription revenue we report each quarter is the result of subscription agreements entered into during previous quarters. Lower sales and subscriptions, reduced demand for our products, services and solutions, and increases in our attrition rate in any given period 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. Our renewal rates may decline or fluctuate as a result of a number of factors, including our customers' level of satisfaction, our ability to continue enhancing features and functionality, reliability of our offerings, prices of ours and competitors' offerings, the actual or perceived information security of our systems and services, decreases in the size of our customer base, changes as a result of regulatory or legal requirements, changes in the composition of our customer base and reductions in our customers' spending levels or declines in customer activity. If our customers do not renew their subscriptions or if they renew on terms less favorable to us, our revenue may decline. Further, such impact on our revenue may not be immediately reflected in our financial results in the period in which our renewal rates changed and may adversely affect our financial results in future periods. If any of our assumptions about revenue from our subscription-based offerings prove incorrect, our actual results may suffer and vary from those anticipated.

We are subject to fluctuations in foreign currency exchange rates and may not be able to effectively hedge our exposure.

Our operating results and performance metrics are subject to fluctuations in foreign currency exchange rates due to the global scope of our business. Geopolitical and economic events, including war, trade disputes, economic sanctions and emerging market volatility, and associated uncertainty have caused, and may in the future cause, currencies to fluctuate. Accordingly, amounts reported as annualized recurring revenue, a performance metric which we measure at currency rates that are set at the beginning of each fiscal year and held constant throughout the year, may vary from actual revenue recognized in accordance with generally accepted accounting principles in the United States.

We attempt to mitigate a portion of these foreign currency exchange risks to our operating results through foreign currency hedging based on our judgment of the appropriate trade-offs among risk, opportunity and expense. We regularly review our hedging program and make adjustments that we believe are appropriate. Our hedging activities have not, and may not in the future, offset more than a portion of the adverse financial impact, including on our actual revenue recognized, resulting from unfavorable movement in foreign currency exchange rates, which could adversely affect our financial condition, business performance or results of operations.

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

We test goodwill for impairment at least annually. We review our goodwill and intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, including declines in stock price, market capitalization or reduced future cash flow estimates and slower growth rates in our industry.

Depending on the results of our review, we may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets was determined, negatively impacting our results of operations.

Our existing and future debt obligations may adversely affect our financial condition and future financial results.

As of **March 1, 2024** **May 31, 2024**, we had **\$3.65 billion** **\$5.65 billion** in senior unsecured notes outstanding and a \$3 billion commercial paper program with no amounts outstanding. We also had a \$1.5 billion senior unsecured revolving credit agreement, which was undrawn. This debt or future additional indebtedness may adversely affect our financial condition and future financial results by, among other things:

- requiring the dedication of a portion of our expected cash flows from operations to service our debt, thereby reducing the amount of expected cash flows available for other purposes, including capital expenditures and acquisitions;
- increasing our vulnerability to adverse changes in our business and general economic and industry conditions; and
- limiting our ability to obtain future financing for working capital, capital expenditures, future acquisitions, general corporate or other purposes, which may also impact our ability to service and repay outstanding indebtedness as it becomes due.

Our senior unsecured notes, commercial paper program and 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 noteholders or lenders, then, subject to applicable cure periods, any outstanding debt 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 agreement could increase. Downgrades in our credit ratings could also restrict our ability to obtain additional financing in the future and affect the terms of any such financing.

General Risk Factors

Catastrophic events, including events associated with climate change, may disrupt our business and adversely affect our financial condition and results of operations.

Our business relies on our network infrastructure and enterprise apps, internal technology systems and websites. A disruption, infiltration or failure of our systems, data centers or operations, or those of our third-party service providers due to a major earthquake, other natural disasters, including climate-related events (such as drought, water security, heat waves, cold waves, wildfires and poor air quality), power shutoff or loss, telecommunications failure, epidemic, pandemic, war, terrorist attack or other catastrophic event, could cause interruptions to our systems and business operations, damage to critical infrastructure, loss of intellectual property, data security breaches and data loss. Our corporate headquarters, significant research and development activity, certain of our data centers and other critical business operations are in the San Francisco Bay Area and the Salt Lake Valley Area, both of which are near major earthquake faults. A catastrophic event, particularly one that may disrupt our data centers or our critical activities, could prevent us from conducting normal business operations and providing our products, services and solutions, which could adversely affect our business. A catastrophic event could negatively impact a country or region in which we sell and, in turn, decrease demand for our products, services and solutions, which could negatively impact our business. Climate-related catastrophic events that may harm our business are also increasing in frequency and severity. We may be subject to additional climate-related regulations and reporting requirements and changing market dynamics and stakeholder expectations regarding climate change and our environmental impacts, all of which may impact our business, financial condition and results of operations.

The occurrence of an epidemic or a pandemic, such as the COVID-19 pandemic, has had and may continue to have an adverse effect on our operating results. The extent to which epidemics and pandemics impact our financial condition or results of operations will depend on many factors outside of our control and whether there is a material impact on the businesses or productivity of our customers, employees, suppliers and other partners. A global pandemic may also intensify the other risks described in this Part I, Item 1A of this report.

Our stock price may be volatile and your investment could lose value.

Our stock price has been and may continue to be volatile and subject to fluctuations. All factors described in this Part I, Item 1A of this report, some of which are beyond our control, may affect our stock price, including:

- shortfalls in or changes to estimates, recommendations or expectations about our revenue, margins, earnings, annualized recurring revenue or other key performance metrics set forth in guidance we provide or provided by financial analysts;
- changes in investor and analyst valuation models for our stock;
- changes in unearned revenue, remaining performance obligations and revenue recognized at a point in time, all of which may impact implied growth rates;
- developments related to products or services, technological advancements, strategic alliances, acquisitions or significant transactions by us or our competitors;
- changes in the amounts or frequency of stock repurchases;
- the loss of large customers or our inability to retain or increase sales to existing customers or attract new customers;
- changes to our management team, including 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 economic, political or market conditions; and
- other events, such as significant litigation and regulatory actions.

In addition, the market for technology stocks or the stock market in general has experienced, and may in the future experience, extreme fluctuations, which has caused, and may in the future cause, our stock price to decline for reasons unrelated to our financial performance. Volatility in our stock price has increased, and in the future may increase, our susceptibility to securities class action litigation, which could result in substantial costs and divert management's attention and resources, which may adversely affect our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Below is a summary of stock repurchases for the three months ended **March 1, 2024** **May 31, 2024**. See *Note 11 of our notes to condensed consolidated financial statements for information regarding our stock repurchase program.*

Period					
Period					
Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans		Approximate Dollar Value that May Yet be Purchased Under the Plans ⁽¹⁾
Beginning repurchase authority					
Beginning repurchase authority					
Beginning repurchase authority					
Additional repurchase authority granted					
December 2, 2023—December 29, 2023					
Additional repurchase authority granted					
Additional repurchase authority granted					
March 2—March 29, 2024					
March 2—March 29, 2024					
March 2—March 29, 2024					
Accelerated share repurchases ^{(2),(3)}					
Accelerated share repurchases ^{(2),(3)}					
Accelerated share repurchases ^{(2),(3)}	4.6	\$ —	4.6	\$	(2,500) ⁽³⁾
December 2, 2023—December 29, 2023					
December 2, 2023—December 29, 2023					
Accelerated share repurchase					
Accelerated share repurchase					
Accelerated share repurchase	2.5	\$ —	2.5	\$	(2,000) ⁽²⁾
Other shares repurchased					
December 30, 2023—January 26, 2024					
December 30, 2023—January 26, 2024					
December 30, 2023—January 26, 2024					
March 30—April 26, 2024					
March 30—April 26, 2024					
March 30—April 26, 2024					
Shares repurchased					
Shares repurchased					
Shares repurchased					

January 27, 2024—March 1, 2024
January 27, 2024—March 1, 2024
January 27, 2024—March 1, 2024
April 27—May 31, 2024
April 27—May 31, 2024
April 27—May 31, 2024
Shares repurchased
Shares repurchased
Shares repurchased
Total
Total
Total

- (1) In December 2020, the our Board of Directors granted authority to repurchase up to \$15 billion in our common stock through the end of fiscal 2024. In March 2024, our Board of Directors granted additional authority to repurchase up to \$25 billion in our common stock through March 14, 2028. During the three months ended May 31, 2024, we fully utilized the remaining balance under the December 2020 stock repurchase authority and began utilizing our March 2024 stock repurchase authority to repurchase our common stock.
- (2) In December 2023, we entered into an accelerated share repurchase agreement ("ASR") with a large financial institution whereupon we provided them with a prepayment of \$2 billion and received an initial delivery of 2.5 million shares at contract inception representing a portion of the prepayment. Upon final settlement of this ASR in March 2024, we received an incremental delivery of 1.0 million shares of our common stock. Subsequent to March 1, 2024, the accelerated share repurchase agreement was settled which resulted in Under this ASR, we repurchased a total repurchases of 3.5 million shares at an average price of \$578.11.
- (3) In March 2024, we entered into an ASR with a large financial institution whereupon we provided them with a prepayment of \$2.5 billion and received an initial delivery of 3.6 million shares of our common stock at contract inception, representing a portion of the prepayment. Subsequent to May 31, 2024, this ASR was settled which resulted in total repurchases of 5.2 million shares at an average price of \$475.94.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

The following table shows the trading arrangements intended to satisfy the affirmative defense of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, adopted by our Section 16 officers during the three months ended March 1, 2024.

Name and Position	Adoption Date	Total Number of Shares to be	
		Sold	Expiration Date
Anil Chakravarthy	1/22/2024	Up to 13,386	4/14/2025
President, Digital Experience			
Scott Belsky	2/1/2024	Up to 18,380 (1)	1/31/2025
Chief Strategy Officer and Executive Vice President, Design & Emerging Products			
Mark Garfield	2/2/2024	Up to 5,023 (1)	1/8/2025
Senior Vice President and Chief Accounting Officer			

- (1) The aggregate number of shares to be sold pursuant to this trading arrangement includes shares from outstanding restricted stock units that are subject to applicable service-based vesting conditions. The actual number of shares that will be released pursuant to the restricted stock units and sold under the trading arrangement will be net of the number of shares withheld by the Company to satisfy tax withholding obligations and is not yet determinable.None.

ITEM 6. EXHIBITS

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Filing Date	Exhibit Number	SEC File No.	
3.1	Restated Certificate of Incorporation of Adobe	8-K	4/26/11	3.3	000-15175	
3.2	Certificate of Amendment to Restated Certificate of Adobe	8-K	10/9/18	3.1	000-15175	

3.3	Amended and Restated Bylaws	8-K	1/18/22	3.1	000-15175	
10.1	Adobe Inc. 2023 Executive Severance Plan in the Event of a Change of Control*	8-K	12/13/23	10.1	000-15175	
10.2	Termination Agreement, dated as of December 17, 2023, by and among Adobe Inc., Saratoga Merger Sub I, Inc., Saratoga Merger Sub II, LLC and Figma, Inc.	8-K	12/18/23	10.1	000-15175	
10.3	2024 Performance Share Program*	8-K	1/26/24	10.2	000-15175	
10.4	Form of 2024 Performance Share Award Grant Notice and Award Agreement pursuant to 2024 Performance Share Program*	8-K	1/26/24	10.3	000-15175	
10.5	2024 Executive Annual Incentive Plan*	8-K	1/26/24	10.4	000-15175	
10.6	Form of Restricted Stock Unit Grant Notice and Award Agreement pursuant to 2019 Equity Incentive Plan (for awards granted on or after January 24, 2024)*					X
10.7	2019 Executive Incentive Plan, as amended*					X
31.1	Certification of Chief Executive Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934					X
31.2	Certification of Chief Financial Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934					X
32.1	Certification of Chief Executive Officer, as required by Rule 13a-14(b) of the Securities Exchange Act of 1934†					X
32.2	Certification of Chief Financial Officer, as required by Rule 13a-14(b) of the Securities Exchange Act of 1934†					X
101.INS	Inline XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema					X
101.CAL	Inline XBRL Taxonomy Extension Calculation					X
101.LAB	Inline XBRL Taxonomy Extension Labels					X
101.PRE	Inline XBRL Taxonomy Extension Presentation					X
101.DEF	Inline XBRL Taxonomy Extension Definition					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Filing Date	Exhibit Number	SEC File No.	
3.1	Restated Certificate of Incorporation of Adobe	8-K	4/26/11	3.3	000-15175	
3.2	Certificate of Amendment to Restated Certificate of Adobe	8-K	10/9/18	3.1	000-15175	
3.3	Amended and Restated Bylaws	8-K	1/18/22	3.1	000-15175	
4.1	Forms of Global Note for Adobe Inc.'s 4.850% Notes due 2027, 4.800% Notes due 2029, and 4.950% Notes due 2034, together with an Officer's Certificate setting forth the terms of the Notes	8-K	4/4/24	4.1	000-15175	
10.1	2019 Equity Incentive Plan, as amended*	8-K	4/19/24	10.1	000-15175	
10.2	Form of Non-Employee Director Grant Restricted Stock Unit Grant Notice and Award Agreement pursuant to 2019 Equity Incentive Plan*					X
31.1	Certification of Chief Executive Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934					X
31.2	Certification of Chief Financial Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934					X
32.1	Certification of Chief Executive Officer, as required by Rule 13a-14(b) of the Securities Exchange Act of 1934†					X

32.2	Certification of Chief Financial Officer, as required by Rule 13a-14(b) of the Securities Exchange Act of 1934†	X
101.INS	Inline XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH	Inline XBRL Taxonomy Extension Schema	X
101.CAL	Inline XBRL Taxonomy Extension Calculation	X
101.LAB	Inline XBRL Taxonomy Extension Labels	X
101.PRE	Inline XBRL Taxonomy Extension Presentation	X
101.DEF	Inline XBRL Taxonomy Extension Definition	X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

* Management contract or compensatory plan or arrangement arrangement.

† The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Adobe Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADOBE INC.

By: /s/ DANIEL DURN
Daniel Durn
Chief Financial Officer and
Executive Vice President, Finance,
Technology Services and Operations
(Principal Financial Officer)

Date: March 27, 2024 June 26, 2024

SUMMARY OF TRADEMARKS

The following trademarks of Adobe Inc. or its subsidiaries, which may be registered in the United States and/or other countries, are referenced in this Form 10-Q:

- Acrobat
- Acrobat Reader
- Acrobat Sign
- Adobe
- Adobe Analytics
- Adobe Campaign
- Adobe Commerce
- Adobe Experience Cloud
- Adobe Express
- Adobe Firefly
- Adobe GenStudio
- Adobe Mix Modeler

Adobe Scan
Adobe Stock
Adobe Target
Behance
Creative Cloud
Document Cloud
Journey Optimizer
Marketo
Marketo Engage
Photoshop
Workfront

All other trademarks are the property of their respective owners.

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EXHIBIT 10.6 10.2

ADOBE INC. ADOBE INC.
2019 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT GRANT NOTICE EQUITY INCENTIVE PLAN
(GLOBAL) RESTRICTED STOCK UNIT GRANT NOTICE
NON-EMPLOYEE DIRECTOR GRANT

Adobe Inc. (the "**Company**"), pursuant to its 2019 Equity Incentive Plan, as amended from time to time (the "**Plan**"), hereby awards to you the Restricted Stock Unit Award (the "**Award**") covering the number of Restricted Stock Units set forth below. This Award is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Unit Award Agreement including the Appendix attached thereto (the "**Award Agreement**") and the Plan, each of which are incorporated herein in their entirety. Unless otherwise defined herein, capitalized terms shall have the meanings set forth in the Plan.

Participant:

Date of Grant:

Vesting Commencement Date:

Number of Restricted Stock Units:

Vesting Schedule Schedule: [INSERT VESTING SCHEDULE] This Award shall vest 100% on the date of the next Annual Meeting of Stockholders; provided, however, that, except as otherwise set forth in Section 1 of the Award Agreement, your Service has not terminated prior to such vesting date.

In the event of a Change of Control, any unvested portions of this Award shall become immediately vested in full as of immediately prior to the effective date of the Change of Control, subject to the consummation of the Change of Control.

Delivery of Shares Shares: Subject to the limitations contained herein and the provisions of the Plan, the Company shall settle vested Restricted Stock Units by delivering to you shares of Stock, as provided in Sections 3 and 5 of the Award Agreement.

Additional Terms/Acknowledgements: You acknowledge receipt of, and understand and agree to, this Restricted Stock Unit Grant Notice (the "**Grant Notice**"), the Award Agreement, and the Plan. You further acknowledge that as of the Date of Grant, this Grant Notice, the Award Agreement, and the Plan set forth the entire understanding between you, the Company and any other applicable Participating Company regarding the Award and supersede all prior oral and written agreements on that subject, with the exception of any applicable change of control plan approved by the Board or a committee thereof and/or an applicable individual written retention agreement or severance provision between the Company, or a subsidiary of the Company, and you, to the extent applicable to you.

ADOBE INC.

ADOBE
INC.

By:

Shantanu Narayen
Chief Executive Officer
Address: 345 Park Avenue
San Jose, CA 95110-2704 USA

ADOBE INC. 1

ADOBE INC.

2019 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT EQUITY INCENTIVE PLAN

(GLOBAL) RESTRICTED STOCK UNIT AWARD AGREEMENT

NON-EMPLOYEE DIRECTOR GRANT

Pursuant to the Restricted Stock Unit Grant Notice (the "**Grant Notice**") and this Restricted Stock Unit Award Agreement including the attached Appendix (the "**Award Agreement**"), Adobe Inc. (the "**Company**") has awarded you, pursuant to its 2019 Equity Incentive Plan, as amended from time to time (the "**Plan**"), a Restricted Stock Unit Award (the "**Award**") for the number of Restricted Stock Units as indicated in the Grant Notice. Unless otherwise defined herein or in the Grant Notice, capitalized terms shall have the meanings set forth in the Plan. Subject to adjustment and the terms and conditions as provided herein and in the Plan, each Restricted Stock Unit shall represent the right to receive one (1) share of Stock.

The details of your Award, in addition to those set forth in the Grant Notice, are as follows.

1. VESTING. VESTING.

(a) The Restricted Stock Units shall vest, if at all, as provided in the Vesting Schedule set forth in your Grant Notice, this Award Agreement and the Plan, provided that vesting shall cease upon the termination of your Service, except as otherwise set forth herein.

(b) If your Service terminates due to your death or Disability, then you will be given credit for an additional twelve (12) months of continuous Service such that the number of Restricted Stock Units that otherwise would have vested had your Service continued for an additional twelve (12) months following your termination will accelerate and become vested as of the date of your Service termination; provided, however, that in no event shall such applicable vesting exceed 100% of the number of Restricted Stock Units subject to your Award. For purposes of this provision, "**Disability**" shall mean your permanent and total disability within the meaning of Section 22(e)(3) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), and any applicable regulations promulgated thereunder to the extent not inconsistent with the regulations under Code Section 409A. Except as set forth in this Section 1(b), any Restricted Stock Units subject to the Award that have not vested at the time of your termination of Service for any or no reason will be forfeited immediately and automatically transferred to and reacquired by the Company at no cost to the Company.

(c) For purposes of the Award, your Service will be considered terminated as of the date you are no longer actively providing Service to a Participating Company (regardless of the reason for such termination and whether or not later found to be invalid or in breach of labor laws in the jurisdiction where you are employed or providing Service or the terms of your employment or service agreement, if any), and unless otherwise expressly provided in this Award Agreement or determined by the Company your right to vest in the Award under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., your period of Service would not include any contractual notice period or any period of "garden leave" or similar period mandated under labor laws in the jurisdiction where you are employed or providing Service or the terms of your employment or service agreement, if any). The Committee shall have the exclusive discretion to determine when you are no longer actively providing Service for purposes of your Award (including whether you may still be considered to be providing Services while on a leave of absence, in accordance with the Company's Leave of Absence Policy, as amended from time to time). Any such determination by the Committee for the purposes of this Award Agreement shall have no effect upon

any determination of the rights or obligations of you or the Company (or any Participating Company, as applicable) for any other purpose.

(d)(c) The Committee, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Committee. Notwithstanding Section 5 and in accordance with Section 15, 16, the payment of shares of Stock that vest pursuant to this Section 1 shall in all cases be paid at a time or in a manner that is exempt from, or complies with, Code Section 409A.

(e) The Restricted Stock Units are subject to the Company's Leave of Absence Policy, as amended from time to time, which may provide for a pause in vesting in certain circumstances.

2. NUMBER OF RESTRICTED STOCK UNITS AND UNDERLYING SHARES OF STOCK.

(a) The Restricted Stock Units subject to your Award and the shares of Stock deliverable with respect to such Restricted Stock Units will be adjusted from time to time for capitalization adjustments, as provided in Section 4.2 of the Plan.

(b) Any additional Restricted Stock Units, shares of Stock, cash or other property that become subject to the Award pursuant to this Section 2 shall be subject, in a manner determined by the

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Committee, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Restricted Stock Units and shares of Stock covered by your Award.

(c) Notwithstanding the provisions of this Section 2, no fractional Restricted Stock Units or rights for fractional shares of Stock shall be created pursuant to this Section 2, unless otherwise permitted under the Plan. The Committee shall, in its discretion, determine an equivalent benefit for any fractional Restricted Stock Units or fractional shares that might be created by the adjustments referred to in this Section 2.

3. PAYMENT BY YOU. Subject to Section 11, 12 below, and except as otherwise provided in the Grant Notice, you will not be required to make any payment to the Company with respect to your receipt of the Award, the vesting of the Restricted Stock Units, or the delivery of the shares of Stock underlying the Restricted Stock Units; provided, however, that your continued Service is required for vesting of the Restricted Stock Units as set forth in the Grant Notice and this Award Agreement.

4. RIGHTS AS A STOCKHOLDER. Neither you nor any person claiming under or through you will have any of the rights or privileges of a stockholder of the Company in respect of any shares of Stock hereunder unless and until certificates representing shares of Stock (or other evidence of ownership as so designated by the Company) (either, "**Certificates**") will have been issued to you pursuant to Section 5. After such issuance, you will have all the rights of a stockholder of the Company with respect to voting such shares of Stock and receipt of dividends and other distributions on such shares of Stock.

5. DELIVERY OF SHARES.

(a) General. Each Restricted Stock Unit represents the right to receive one (1) share of Stock on the date that such Restricted Stock Unit vests. Unless and until the Restricted Stock

Units will have vested in the manner set forth in Section 1, you will have no right to payment of any such Restricted Stock Units. **Any** Except as provided in Section 6, any Restricted Stock Units that vest in accordance with Section 1 will be paid to you in whole shares of Stock (unless the issuance of fractional shares is permitted under the Plan) as soon as practicable after vesting, but in each such case within the period thirty (30) days following the vesting date, subject to you satisfying any applicable tax withholding obligations as set forth in Section 11, 12. In no event will you be permitted, directly or indirectly, to specify the taxable year of the payment of any Restricted Stock Units payable under this Award Agreement.

(b)Deferred Shares. If you are eligible and elect to defer delivery of the shares of Stock as provided in Section 6, such shares of Stock will be issued and delivered to you on the date or dates that you elect on your deferral election form. No shares of Stock shall be issued prior to vesting of the Restricted Stock Units.

(c)Delivery Following Death. If you are deceased at the time that shares of Stock pursuant to Restricted Stock Units, if any, are to be delivered to you, such delivery will be made to your designated beneficiary, or if no beneficiary has survived you or been designated, or if the beneficiary designation is not enforceable and/or is not valid under the inheritance or other laws in your country (as determined by the Company in its sole discretion), to the administrator or executor of your estate. Any such transferee must furnish the Company with (i) written notice of his or her status as a transferee, and (ii) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer in the applicable country.

6. COMPLIANCE DEFERRAL ELECTION. If permitted by the Company to do so, you may elect to defer receipt of the shares of Stock that otherwise would be issued pursuant to the vesting of your Award in

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accordance with the terms and conditions, including the applicable eligibility requirements, of the Company's Deferred Compensation Plan (or such other successor plan as may be adopted by the Company). The Committee will, in its sole discretion, establish the rules and procedures for such deferrals.

7. COMPLIANCE WITH LAW.LAW. The grant of your Award and the issuance of any shares of Stock thereunder shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. You may not be issued any shares of Stock if such issuance of shares of Stock would constitute a violation of any applicable federal, state or foreign securities laws, any other governmental regulatory body, or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. You understand that the Company is under no obligation to register or qualify the shares with the United States Securities and Exchange Commission or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares of Stock.

In addition, you may not be issued any shares of Stock unless (i) a registration statement under the Securities Act shall at the time of issuance be in effect with respect to the shares of Stock or (ii) in the opinion of legal counsel to the Company, the shares of Stock may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. YOU ARE CAUTIONED THAT THE SHARES OF STOCK MAY NOT BE ISSUED UNLESS THE FOREGOING

CONDITIONS ARE SATISFIED. Where the Company determines that the delivery of any shares of Stock to settle this Award would violate federal securities laws or other applicable laws or rules or regulations promulgated by any governmental agency, the Company will defer delivery until the earliest date at which the Company reasonably anticipates that delivery of shares of Stock will no longer cause such violation. 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 of Stock shall relieve the Company of any liability in respect of the failure to issue or sell such shares of Stock as to which such requisite authority shall not have been obtained. As a condition to the issuance of any shares of Stock pursuant to this Award, the Company may require you 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. Further, you agree that the Company shall have unilateral authority to amend the Plan and the Award Agreement without your consent to the extent necessary to comply with securities or other laws applicable to issuance of shares of Stock.

7.8. RESTRICTIVE LEGENDS. RESTRICTIVE LEGENDS. The shares of Stock issued pursuant to this Award shall be endorsed with appropriate legends, if any, determined by the Company.

8.9. TRANSFERABILITY. TRANSFERABILITY. Except to the limited extent permitted under Section 5(b) 5(c), this Award and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment, or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privileged conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this Award and the rights and privileges hereby immediately will become null and void.

9.10. AWARD NOT AWARD NOT A SERVICE CONTRACT. SERVICE CONTRACT. Your Award is not an employment or service contract, and nothing in your Award shall be deemed to create in any way whatsoever any obligation on your part to continue in the Service of a Participating the Company, or on the part of a Participating the Company to continue such Service. In addition, nothing in your Award shall obligate any Participating the Company, its respective stockholders,

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boards of directors, Officers or Employees to continue any relationship that you might have as an Employee, Director or Consultant for the Participating Company.

10.11. UNSECURED OBLIGATION. UNSECURED OBLIGATION. Your Award is unfunded, and even as to any Restricted Stock Units that vest, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares of Stock pursuant to this Award Agreement. You shall not have voting or any other rights as a stockholder of the Company with respect to the shares of Stock acquired pursuant to this Award Agreement until such shares of Stock are issued to you pursuant to this Award Agreement. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company with respect to the shares of Stock so issued. Nothing contained in this Award Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

11.12. TAX OBLIGATIONS. TAX OBLIGATIONS.

(a) General. Regardless of any action taken by the Company or any other Participating Company with respect to any or all federal, state, local and foreign income, employment, social insurance, payroll taxes, payment on account or other taxes related to your participation in the Plan and legally applicable to you or deemed by the Company to be an appropriate charge to you even if technically due by a Participating the Company ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax- Related Tax-Related Items is and remains your responsibility and may exceed the amount, if any, actually withheld by the Company or any other Participating Company. You further acknowledge that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of your Award, including, but not limited to, the grant, vesting or settlement of this Award, subsequent sale of Stock acquired pursuant to this Award, or the receipt of any dividends and/or Dividend Equivalents and (ii) does not commit to and is under no obligation to structure the terms of the grant or any other aspect of your Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you have become subject to tax in more than one jurisdiction, as applicable, you acknowledge that the Company or any other Participating Company you are providing (or have provided) Service to may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Withholding Arrangements. Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Participating

Company Group to satisfy all Tax-Related Tax- Related Items. In this regard, you hereby authorize the applicable Participating Company, or its respective agents, in their its sole discretion and subject to any limitations under applicable law, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following means:

- i. withholding of that number of whole vested shares of Stock otherwise deliverable to you pursuant to this Award Agreement having a Fair Market Value not in excess of the amount of the withholding obligation for Tax-Related Items determined by the Company after considering required withholding rates; to the extent permitted under the Plan, the Company may determine such amount by considering other applicable withholding rates up to the maximum rate applicable in your jurisdiction. For tax purposes, you are deemed to have been issued the full number of shares of Stock subject to the vested Award, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Tax-Related Items;
- ii. withholding from proceeds of the sale of shares of Stock acquired upon vesting/settlement of the Award either through a voluntary sale or through a mandatory

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sale arranged by the Company (on your behalf pursuant to this authorization, without further consent);

- iii. tender by you of a payment in cash or check to the applicable Participating Company of any amount of the Tax-Related Items;
- iv. withholding by any Participating the Company of any amount of the Tax-Related Items from your salary, wages or any other the cash compensation owed to you by any Participating the Company;
- v. in the event this Award is settled in whole or in part in cash, withholding from the cash to be distributed to you in settlement of this Award; and/or
- vi. any other method approved by the Company, to the extent permitted by applicable law and under the terms of the Plan.

(c) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other withholding rates, including maximum withholding rates in your jurisdiction(s). In the event of over-withholding, you may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent in shares of Stock), or, if not refunded, you may seek a refund from the applicable tax authorities. In the event of under-withholding, you may be required to pay additional Tax-Related Items directly to the applicable tax authorities or to a Participating the Company.

(d) You shall pay to the applicable Participating Company any amount of Tax-Related Items that the Participating Company may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company shall have no obligation to issue or deliver shares of Stock, cash, or the proceeds of the sale of Stock until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section 11. 12.

(e) Notwithstanding the foregoing, if you are subject to Section 16 of the Exchange Act, the Company will withhold using the method described under 11(b) Section 12(b)(i) above unless the use of such withholding method is problematic under applicable laws or has materially adverse accounting

consequences, in which case the Committee (as constituted to satisfy the requirements of Exchange Act

Rule 16b-3) shall determine which of the other methods described in Section 11(b) 12(b) above shall be used to satisfy the withholding obligation for Tax-Related Items.

12.13. NATURE OF AWARD. In accepting your Award, you acknowledge, understand and agree that:

- (a) the Plan is established voluntarily by the Company; it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan, in accordance with Section 14 of the Plan;
- (b) the grant of your Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Awards, even if Awards have been granted in the past;
- (c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company;

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(d) the Award and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with any Participating the Company and shall not interfere with any ability of any applicable Participating the Company to terminate your employment or service relationship (if any);

(e) you are voluntarily participating in the Plan;

(f) the Award and the shares of Stock subject to the Award, and the income from and value of same, are not intended to replace any pension rights or compensation;

(g) the Award and the shares of Stock subject to the Award, and the income from and value of same, are not part of normal or expected compensation or salary for purposes of, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;

(h) (f) the future value of the underlying shares of Stock subject to your Award is unknown, indeterminable and cannot be predicted with certainty;

(i) (g) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from the termination of your Service with any Participating the Company (for for any reason whatsoever, whether or not later found to be invalid or in breach of labor laws in the jurisdiction where you are employed or providing Service or the terms of your employment or service agreement, if any); whatsoever;

(j) (h) unless otherwise provided in the Plan or by the Company in its discretion, the Award and the benefits evidenced by this Award Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company;

(k) unless otherwise agreed with the Company, the Award and the shares of Stock subject to the Award, and any income from and value of same, are not granted as consideration for, or in connection with, the service you may provide as a director of any Subsidiary Corporation; and

(l) (i) the Participating Company Group shall not be liable for any foreign exchange rate fluctuation between the United States Dollar and your local currency (if different) that may affect the value of the Award or of any amounts due to you pursuant to the settlement of the Award or the subsequent sale of any shares of Stock acquired upon settlement.

13.14. DELIVERY OF DOCUMENTS AND NOTICES. Any document relating to this Award, participating in the Plan and/or notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Award Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, with postage and fees prepaid, or with a nationally recognized courier designating express or expedited service with evidence of delivery, addressed to the other party at the address, including email address, if any, provided for you by the Company, or a Participating Company, or at such other address as such party may designate in writing from time to time to the other party.

(a)Description of Electronic Delivery. The Plan and the Award documents, which may include but do not necessarily include the Plan prospectus, the Grant Notice, this Award Agreement, Certificates, and United States U.S. financial reports of the Company, may be delivered to you electronically by the Company or a third party designated by the Company. Such means of delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail email or such other delivery determined at the Committee's discretion.

(b)Consent to Electronic Delivery. You acknowledge that you have read Section 13.14 and consent to the electronic delivery of the Plan and Award documents by the Company or a third party designated by the Company and agree to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company, as described in Section 13.14. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at equity@adobe.com. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide the Company or any designated third party with a paper copy of any documents

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delivered electronically if electronic delivery fails. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at equity@adobe.com. Finally, you understand that you are not required to consent to electronic delivery.

14.15. DATA PRIVACY NOTICE. DATA PRIVACY NOTICE. You understand that the Participating Company Group collects, uses, processes, shares, transfers, and stores (collectively, "processes") certain personal information about you, including, but not limited to, your name, home address, email address and telephone number, date of birth, social insurance number (to the extent permitted under applicable law), passport or other identification number, salary or details regarding compensation, nationality, job title, any shares of Stock or directorships held in the Company, details of all Awards or any other entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in your favor (all "Data"), for the exclusive purpose of implementing, administering and managing the Plan. Adobe processes such Data in accordance with the Adobe Employee Privacy Policy or other privacy policies or successor privacy policies maintained by the Company. California residents, Adobe further processes such Data in accordance with the Adobe California

Workers Supplemental Privacy Policy. The categories of personal information including sensitive personal information are identifiers, characteristics of protected classifications under California or federal law, professional or employment related information, social security, driver's license, state identification card, or passport number, and any personal information that identifies, relates to, describes, or is capable of being associated with a particular individual. The personal information is not sold or shared for cross-context behavioral advertising. The California Consumer Privacy Act Policy is available at <https://www.adobe.com/privacy/us-rights.html>.

You understand that the Data will be transferred to Morgan Stanley Smith Barney, LLC, the brokerage firm engaged by the Company to hold your shares of Stock and other amounts acquired under the Plan, and its affiliated company, E*TRADE Financial Corporate Services, Inc. (collectively, "E*TRADE"), or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. Data may also be transferred to another brokerage firm, if you are permitted to and decide to transfer the shares of Stock received under the Plan to such other brokerage firm. You understand that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country.

The Company will hold and use the Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. When the Company no longer needs the Data, the Company will securely dispose of the Data in accordance with the Company's data retention and deletion standards, which may be amended from time to time. If the Company keeps data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be compliance with the relevant laws or regulations.

You may have a number of rights under data privacy laws in your jurisdiction. Depending on where you are based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in your jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you can contact erc@adobe.com.

If you are an employee of or providing Service to an affiliate of the Company in the European Economic Area, or Switzerland, the United Kingdom (collectively, "EEA+"), or Japan, the grant of consent below is not relevant to you. The Company (and other authorized recipients of Data) process Data for the purpose of implementing, administering and managing the Plan; this is necessary in order to perform Company's contractual obligations under this Award Agreement. If you do not provide Data required for this purpose, the Company will not be able to perform its obligations under this Award Agreement and this may affect your ability to participate in the Plan.

The Company and E*TRADE have entered into standard contract clauses, in the form authorized by the European Commission, with its affiliates in the European Economic Area in order to provide adequate protection for Data. The Company is the controller responsible for Data processing described above and can be contacted at 345 Park Avenue, San Jose, California 95110 USA, or DPO@adobe.com. You are entitled to complain to an EEA data protection authority in the country where you live, work, or believe any breach of data protection law has occurred. For more information regarding your rights related to the processing of your Data, please review the EU Employee Privacy Notice or other privacy policies or successor privacy policies maintained by the Company.

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Unless

By accepting this Award, you are an employee of or providing Service to an affiliate of the Company in the EEA+ or Japan, you hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your Data by and among the members of the Participating Company Group and by E*TRADE, and or any other company selected by the Company to assist it in administering the Plan and any brokerage firm to which you may transfer shares of Stock under the Plan, for the exclusive purpose of implementing, administering and managing your participation in the Plan. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status compensation from or service relationship with the applicable Participating Company will not be affected: the only consequence of refusing or withdrawing your consent is that the Company would not be able to grant Restricted Stock Units or other equity to you or administer or maintain such awards. Access to and management of previously awarded grants may also be impacted. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact erc@Adobe.com. All privacy policies and standards referenced in this Section are available on Inside Adobe.

15.16. APPLICATION OF SECTION 409A (ONLY APPLICABLE TO U.S. TAXPAYERS). Absent a proper deferral election, it is intended that all of the benefits and payments provided under this Award satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A provided under the "short-term deferral" rule set forth in United States U.S. Treasury Regulation Section 1.409A-1(b)(4), and this Award will be construed to the greatest extent possible as consistent with those provisions. To the extent not so exempt, this Award and the payments and benefits to be provided hereunder are intended to, and will be construed and implemented so as to, comply in all respects with the applicable provisions of Code Section 409A, and any provisions calling for payments on a termination of employment or other service shall be read to mean a

"separation from service" (as defined under U.S. Treasury Regulation Section 1.409-1(h) without reference to alternative definitions thereunder). For purposes of Code Section 409A, each payment, installment and benefit under this Award is intended to constitute a separate and distinct payment for purposes of U.S. Treasury Regulation Section 1.409A-2(b)(2). Notwithstanding any other provision of this Award Agreement, to the extent that (a) one or more of the payments or benefits received or to be received by you upon "separation from service" pursuant to this Award would constitute deferred compensation subject to the requirements of Code Section 409A, and (b) you are a "specified employee" within the meaning of Code Section 409A at the time of separation from service, then to the extent delayed commencement of any portion of such payments or benefits is required in order to avoid a prohibited distribution under Code Section 409A(a)(2)(B)(i) and the related adverse taxation under Code Section 409A, such payments and benefits shall not be provided to you prior to the earliest of (i) the expiration of the six (6)-month period measured from the date of separation from service, (ii) the date of your death or (iii) such earlier date as permitted under Code Section 409A without the imposition of adverse taxation on you. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments and benefits deferred pursuant to this paragraph shall be paid in a lump sum to you, and any remaining payments and benefits due shall be paid as otherwise provided herein.

16.17. BINDING AGREEMENT. BINDING AGREEMENT. Subject to the limitation on the transferability of this Award contained herein, the Award Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

17.18. COMMITTEE AUTHORITY. COMMITTEE AUTHORITY. The Committee will have the power to interpret the Plan, the Grant Notice and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any

such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions

taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon you, the Company and all other interested persons. No member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.

18.19. HEADINGS. HEADINGS. The headings of the Sections in this Award Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Award Agreement or to affect the meaning of this Award Agreement.

19.20. MISCELLANEOUS. MISCELLANEOUS.

(a) The rights and obligations of the Company under your Award shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by, the Company's successors and assigns.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award.

20.21. AGREEMENT SEVERABLE. AGREEMENT SEVERABLE. The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and

enforceable.

21.22. GOVERNING PLAN DOCUMENT. GOVERNING PLAN DOCUMENT. Your Award is subject to all the provisions of the Plan, which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between one or more provisions of your Award Agreement and one or more provisions of the Plan, the provisions of the Plan shall control.

22.23. APPLICABLE LAW APPLICABLE LAW AND VENUE. VENUE. The Award and the provisions of this Award Agreement shall be governed by, and subject to, the laws of the State of California, United States of America. For purposes of any action, lawsuit or other proceedings brought to enforce this Award Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of Santa Clara County, California, or the federal courts of the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

23.24. NO ADVICE REGARDING GRANT. NO ADVICE REGARDING GRANT. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying shares of Stock. You understand and agree that you should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

24.25. LANGUAGE. LANGUAGE. You acknowledge that you are sufficiently proficient in the English language, or have consulted with an advisor who is sufficiently proficient in English, so as to allow you to understand the provisions of this Award Agreement and the Plan. If you received this Award Agreement

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or any other document related to the Plan translated into a language other than English and

if the meaning of the translated version is different from the English version, the English version will control.

25. APPENDIX. Notwithstanding any provisions in this Award Agreement, the Award shall be subject to any special terms and conditions for your country set forth in the Appendix to this Award Agreement ("Exhibit A" for Employees and "Exhibit B" for Consultants). Moreover, if you relocate to one of the countries included in the Appendix or to a country not included in the Appendix, the special terms and conditions for such country set forth in the Appendix (or other terms and conditions) may apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Award Agreement. In accepting the Award, you acknowledge receipt of, understand and agree to the additional terms and conditions included in the Appendix.

26. IMPOSITION IMPOSITION OF OTHER REQUIREMENTS. OTHER REQUIREMENTS. The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any shares of Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Without limitation to the foregoing, if you relocate to another country, the Company may impose other requirements on your participation in the Plan, on the Award and on any shares of Stock acquired under the Plan, to the extent the Company determines that the application of such requirements is necessary or advisable for legal or administrative reasons.

27. WAIVER. WAIVER. You acknowledge that a waiver by the Company of a breach of any provision of this Award Agreement shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by you or another Participant.

28. **INSIDER TRADING RESTRICTIONS/MARKET ABUSE LAWS.** **INSIDER TRADING RESTRICTIONS/MARKET ABUSE LAWS.** You acknowledge that you may be subject to insider-trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States, and your country of residence, which may affect your ability to acquire, sell or attempt to sell or otherwise dispose of shares of Stock or rights to shares of Stock (e.g., the Award) during such times as you are considered to have "inside information" regarding the Company as defined in the laws or regulations in applicable jurisdictions, including the United States. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. You should consult your personal legal advisor for further details regarding any insider trading restrictions and/or market-abuse laws in your country.

29. **FOREIGN ASSET/ACCOUNT REPORTING REQUIREMENTS** **FOREIGN ASSET/ACCOUNT REPORTING REQUIREMENTS AND EXCHANGE CONTROLS.** Your country may have certain **EXCHANGE CONTROLS.** Certain foreign asset and/or account reporting requirements and exchange controls which may affect your ability to acquire or hold shares of Stock under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of shares of Stock) in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You also may be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country through a designated bank or broker and/or within a certain time after receipt. You acknowledge that it is your responsibility to be compliant with such regulations and you should consult your personal legal advisor for any details.

EXHIBIT 10.7

ADOBE INC.
2019 EQUITY INCENTIVE PLAN
(as amended and restated as of February 23, 2024)

1. ESTABLISHMENT, PURPOSE AND TERM OF PLAN.

1.1 **Establishment.** Adobe Inc., a Delaware corporation, established the Adobe Inc. 2019 Equity Incentive Plan (the "**Plan**") effective as of April 11, 2019, the date of its initial approval by the stockholders of the Company.

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights ("**SARs**"), Stock Purchase Rights, Stock Grants, Restricted Stock Units, Performance Shares, and Performance Units. In addition, the Plan provides for certain cash-based amounts for service as a Director.

1.3 **Term of Plan.** The Plan shall continue in effect until the earlier of its termination by the Board or the Committee or the date on which all of the shares of Stock available for issuance under the Plan have been issued and all restrictions on such shares under the terms of the Plan and the agreements evidencing Awards granted under the Plan have lapsed. However, all Incentive Stock Options shall be granted, if at all, within ten (10) years from the earlier of the date the Plan is adopted by the Board or the Committee or the date the Plan is duly approved by the stockholders of the Company.

2. DEFINITIONS AND CONSTRUCTION.

2.1 **Definitions.** Whenever used herein, the terms set forth in Appendix I shall have their respective meanings set forth in Appendix I.

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 Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Award.

3.2 Authority of Officers. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, determination or election. To the extent consistent with applicable law (including but not limited to Delaware General Corporation Law Section 152 or 157(c)), the Board or the Committee may, in its discretion,

delegate to a committee comprised of one or more Officers (any such committee, an "**Officer Committee**") the authority to designate Employees (other than themselves) to receive one or more Stock Awards, Options or rights to acquire shares of Stock and to determine the number of shares of Stock subject to such Stock Awards, Options and rights, without further approval of the Board or the Committee. Any such grants will be subject to the terms of the Board resolutions providing for such delegation of authority.

3.3 Powers of the Committee. In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

(a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock or units to be subject to each Award;

(b) to determine the type of Award granted and to designate Options as Incentive Stock Options or Nonstatutory Stock Options;

(c) to determine the Fair Market Value of shares of Stock or other property;

(d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares purchased pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of the expiration of any Award, (vii) the effect of the Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;

(e) to determine whether an Award of SARs, Restricted Stock Units or Performance Shares or Performance Share Units will be settled in shares of Stock, cash, or in any combination thereof;

(f) to approve one or more forms of Award Agreement;

(g) subject to Section 3.4, to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;

(h) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;

(i) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws of or to accommodate the laws, regulations, tax or accounting effectiveness, accounting principles or customs of, non-United States jurisdictions whose citizens may be granted Awards; and

(j) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

3.4 Repricing. Without the affirmative vote of holders of a majority of the shares of Stock cast in person or by proxy at a meeting of the stockholders of the Company at which a quorum representing a majority of all outstanding shares of Stock is present or represented by proxy, neither the Board nor the Committee shall approve a program providing for (a) the cancellation of outstanding Options or SARs and the grant in substitution therefor of new Awards having a lower exercise or purchase price, (b) the amendment of outstanding Options or SARs to reduce the exercise price thereof or (c) except in connection with an adjustment pursuant to Section 4.2 or a transaction, the cashout of Options or SARs with an exercise price below Fair Market Value. This paragraph shall not be construed to apply to "issuing or assuming a stock option in a transaction to which section 424(a) applies," within the meaning of Section 424 of the Code.

3.5 Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as Officers or Employees of the Participating Company Group, members of the Board or the Committee and any Officers or Employees of the Participating Company Group to whom authority to act for the Board, the Committee 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.

4. SHARES SUBJECT TO PLAN.

4.1 Maximum Number of Shares Issuable. Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be sixty-four million (64,000,000). The number of shares of Stock available for issuance under the Plan shall be reduced (a) by one share for each share issued pursuant to Options or SARs, and (b) by one and seventy seven-hundredths (1.77) shares for each share issued pursuant to Awards other than those set forth in the preceding clause (a). Such shares shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof. If an outstanding Award for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Company at the Participant's purchase price to effect a forfeiture of unvested shares upon termination of Service, the shares of Stock allocable to the terminated portion of such Award or such forfeited or repurchased shares of Stock shall be added back to the Plan share reserve in an amount corresponding to the reduction in such share reserve previously made in accordance with the rules described above in this Section 4.1 and again be available for issuance under the Plan. Shares of Stock shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award (other than a SAR that may be settled in shares of Stock and/or cash) that is settled in cash. Shares withheld

in satisfaction of tax withholding obligations pursuant to Section 13.2 shall not again become available for issuance under the Plan. Upon exercise of a SAR, whether in cash or shares of Stock, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the SAR is exercised. If the exercise price of an Option is paid by "net exercise" (as described in Section 6.3(a)(iv)) or tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the Option is exercised.

4.2 Adjustments for Changes in Capital Structure. In the event of any change in the Stock through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate adjustments shall be made in the number and class of shares subject to the Plan and to any outstanding Awards, in the ISO Share Limit (as defined in Section 5.3(b)), the Award limits set forth in Section 5.4, and in the exercise or purchase price per share under any outstanding Award. Notwithstanding the foregoing, unless the Committee determines otherwise, 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 exercise or purchase price under any Award be decreased to an amount less than the par value, if any, of the stock subject to such Award. The adjustments determined by the Committee pursuant to this Section 4.2 shall be final, binding and conclusive.

5. ELIGIBILITY AND AWARD LIMITATIONS.

5.1 Persons Eligible for Awards. Awards may be granted only to Employees, Directors and Consultants. No Award shall be granted prior to the date on which such person commences Service.

5.2 Participation. Except as otherwise provided in Section 3.2, Awards are granted solely at the discretion of the Committee. Eligible persons may be granted more than one (1) Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

5.3 Incentive Stock Option Limitations.

(a) **Persons Eligible.** An Incentive Stock Option may be granted only to a person who, on the effective date of grant, is an Employee of the Company, a Parent Corporation or a Subsidiary Corporation (each being an “ISO-Qualifying Corporation”). Any person who is not an Employee of an ISO-Qualifying Corporation on the effective date of the grant of an Option to such person, but who is otherwise an Employee or a Director of, or a Consultant to, the Company or any of its Affiliates, may be granted only a Nonstatutory Stock Option.

(b) **ISO Share Limit.** Subject to adjustment as provided in Section 4.2, the maximum number of shares of Stock that may be issued upon the exercise of Incentive Stock Options granted under the Plan will equal the aggregate Share number stated in the first sentence of Section 4.1, plus, to the extent allowable under Code Section 422 and the Treasury Regulations promulgated thereunder, any shares of Stock that become available for issuance under the Plan pursuant to Section 4.1 (the “ISO Share Limit”).

(c) **Fair Market Value Limitation.** To the extent that options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for Stock having a Fair Market Value greater than One Hundred Thousand Dollars (\$100,000), the portion of such options which exceeds such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of Stock shall be determined as of the time the option with respect to such Stock is granted. If the Code is amended to provide for a different limitation from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Upon exercise, each portion shall be separately identified.

(d) **Leaves of Absence.** For purposes of Incentive Stock Options, no leave of absence may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1st) day of such leave, any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

5.4 Award Limits.

(a) **Individual Award Limits.** The following limits shall apply to the grant of any Award:

(i) **Options and SARs.** Subject to adjustment as provided in Section 4.2, no Employee shall be granted within any fiscal year of the Company one or more Options or Freestanding SARs (as defined in Section 7.1) which in the aggregate are for more than four million (4,000,000) shares of Stock. An Option or SAR which is canceled in the same fiscal year of the Company in which it was granted shall continue to be counted against such limit for such fiscal year.

(ii) **Stock Awards.** Subject to adjustment as provided in Section 4.2, no Employee shall be granted within any fiscal year of the Company one or more Stock Awards for more than one million five hundred thousand (1,500,000) shares of Stock in the aggregate.

(iii) **Performance Awards.** Subject to adjustment as provided in Section 4.2, no Employee shall be granted (A) an Award of Performance Shares that could result in such Employee receiving from Performance Shares granted during one fiscal year of the Company more than one million five hundred thousand (1,500,000) shares of Stock in the aggregate during any fiscal year of the Company, or (B) an Award of Performance Units that could result in such Employee receiving more than two million five hundred thousand dollars (\$2,500,000) during any fiscal year of the Company.

(b) **Clarification of Limits.** For purposes of clarification regarding the foregoing limits, (i) Awards granted in previous fiscal years will not count against the Award limits in subsequent fiscal years

even if the Awards from previous fiscal years are earned or otherwise settled in fiscal years following the fiscal year in which they are granted, and (ii) more than one Award of the same type can be granted in a fiscal year as long as the aggregate number of shares of Stock granted pursuant to all Awards of that type do not exceed the fiscal year limit applicable to that Award type.

(c) **Director Award Limits.** Subject to any applicable adjustment as provided in Section 4.2, no non-employee Director shall be granted one or more Awards within any fiscal year of the Company, solely with respect to service as a Director, that in the aggregate exceed one million five hundred thousand dollars (\$1,500,000) in aggregate value of cash-based and other Awards, with such value determined by the Committee and as of the date of grant of the Awards. For purposes of clarification regarding the foregoing limit, Awards granted in previous fiscal years will not count against the Award limits in subsequent fiscal years even if the Awards from previous fiscal years are earned or otherwise settled in fiscal years following the fiscal year in which they are granted.

6. TERMS AND CONDITIONS OF OPTIONS.

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall from time to time establish. Award Agreements evidencing Options may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 **Exercise Price.** The exercise price for each Option shall be established in the discretion of the Committee; *provided, however*, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Sections 409A and 424(a) of the Code.

6.2 **Exercisability and Term of Options.** Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; *provided, however*, that (a) no Option shall be exercisable after the expiration of seven (7) years after the effective date of grant of such Option, and (b) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option. Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, any Option granted hereunder to an Employee, Consultant or Director shall terminate seven (7) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions or the Plan.

6.3 Payment of Exercise Price.

(a) **Forms of Consideration Authorized.** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant having a Fair Market Value not less than the exercise price applicable to

shares being acquired through such method, (iii) by delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System) (a "**Cashless Exercise**"), (iv) by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Stock issued upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; *provided*,

however, that the Company shall accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued (unless the Company, in its discretion, permits withholding of fractional shares pursuant to a "net exercise" arrangement); *provided further, however*, that shares of Stock will no longer be outstanding under an Option and will not be exercisable thereafter to the extent that (A) shares are used to pay the exercise price pursuant to the "net exercise," (B) shares are delivered to the Participant as a result of such exercise, or (C) shares are withheld to satisfy tax withholding obligations, (v) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (vi) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) Limitations on Forms of Consideration.

(i) **Tender of Stock.** Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. Unless otherwise provided by the Committee, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either (A) have been owned by the Participant for such period as necessary to avoid a charge to earnings for financial accounting purposes and not used for another Option exercise by attestation during any such period or (B) were not acquired, directly or indirectly, from the Company.

(ii) **Cashless Exercise.** The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise.

6.4 Effect of Termination of Service. An Option shall be exercisable after a Participant's termination of Service to such extent and during such period as determined by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option or in another written (including electronic) agreement between the Company and the Participant.

6.5 Transferability of Options. During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. No Option shall be assignable or transferable by the Participant, except by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, an Option shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 Registration Statement under the Securities Act or other applicable law.

7. TERMS AND CONDITIONS OF SARs.

SARs shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing SARs may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

7.1 Types of SARs Authorized. SARs may be granted in tandem with all or any portion of a related Option (a "**Tandem SAR**") or may be granted independently of any Option (a "**Freestanding SAR**"). A Tandem SAR may be granted either concurrently with the grant of the related Option or at any time thereafter prior to the complete exercise, termination, expiration or cancellation of such related Option.

7.2 Exercise Price. The exercise price for each SAR shall be established in the discretion of the Committee; *provided, however*, that (a) the exercise price per share subject to a Tandem SAR shall be the exercise price per share under the related Option and (b) the exercise price per share subject to a Freestanding SAR shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the SAR.

7.3 Exercisability and Term of SARs.

(a) **Tandem SARs.** Tandem SARs shall be exercisable only at the time and to the extent that the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to less than the full number of shares of Stock subject to the related Option. The Committee may, in its discretion, provide in any Award Agreement evidencing a Tandem SAR that such SAR may not be exercised without the advance approval of the Company and, if such approval is not given, then the Option shall nevertheless remain exercisable in accordance with its terms. A Tandem SAR shall terminate and cease to be exercisable no later than the date on which the related Option expires or is terminated or canceled. Upon the exercise of a Tandem SAR with respect to some or all of the shares subject to such SAR, the related Option shall be canceled automatically as to the number of shares with respect to which the Tandem SAR was exercised. Upon the exercise of an Option related to a Tandem SAR as to some or all of the

shares subject to such Option, the related Tandem SAR shall be canceled automatically as to the number of shares with respect to which the related Option was exercised.

(b) **Freestanding SARs.** Freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such SAR; *provided, however*, that no Freestanding SAR shall be exercisable after the expiration of seven (7) years after the effective date of grant of such SAR.

7.4 Exercise of SARs. Upon the exercise of a SAR, the Participant (or the Participant's legal representative or other person who acquired the right to exercise the SAR by reason of the Participant's death) shall be entitled to receive payment of an amount for each share with respect to which the SAR is exercised equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price. Payment of such amount shall be made in cash, shares of Stock, or any combination thereof as determined by the Committee. Unless otherwise provided in the Award Agreement evidencing such SAR, payment shall be made in a lump sum as soon as practicable following the date of exercise of the SAR. The Award Agreement evidencing any SAR may provide for deferred payment in a lump sum or in installments. When payment is to be made in

shares of Stock, the number of shares to be issued shall be determined on the basis of the Fair Market Value of a share of Stock on the date of exercise of the SAR. For purposes of Section 7, a SAR shall be deemed exercised on the date on which the Company receives notice of exercise from the Participant.

7.5 Effect of Termination of Service. A SAR shall be exercisable after a Participant's termination of Service to such extent and during such period as determined by the Committee, in its discretion, and set forth in the Award Agreement evidencing such SAR or in another written (including electronic) agreement between the Company and the Participant.

7.6 Nontransferability of SARs. SARs may not be assigned or transferred in any manner except by will or the laws of descent and distribution, and, during the lifetime of the Participant, shall be exercisable only by the Participant or the Participant's guardian or legal representative.

8. TERMS AND CONDITIONS OF STOCK AWARDS.

Stock Awards shall be evidenced by Award Agreements specifying whether the Award is a Stock Grant, a Stock Purchase Right or a Restricted Stock Unit, and the number of shares of Stock or units subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing Stock Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

8.1 Types of Stock Awards Authorized. Stock Awards may be in the form of a Stock Grant, a Stock Purchase Right or a Restricted Stock Unit. Stock Awards may be granted or vest upon such conditions as the Committee shall determine, including, without limitation, Service to a Participating Company or upon the attainment of one or more Performance Goals.

8.2 Purchase Price. The purchase price for shares of Stock issuable under each Stock Purchase Right shall be established by the Committee in its discretion. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving shares of Stock pursuant to a Stock Grant or Restricted Stock Unit.

8.3 Purchase Period. A Stock Purchase Right shall be exercisable within a period established by the Committee, which shall in no event exceed thirty (30) days from the effective date of the grant of the Stock Purchase Right.

8.4 Payment of Purchase Price. At the time of grant of a Stock Purchase Right, the Committee will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Stock acquired pursuant to the Stock Purchase Right. Except as otherwise provided below, payment of the purchase price for the number of shares of Stock being purchased pursuant to any Stock Purchase Right shall be made (i) in cash, by check, or cash equivalent, (ii) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (iii) by any combination thereof, in each case consistent with any requirements under applicable law regarding payment in respect of the "par value" of the Stock. The Committee may at any time or from time to time grant Stock Purchase Rights which do not permit all of the foregoing forms of consideration to be used in payment of the purchase price or which otherwise restrict one or more forms of consideration.

8.5 Vesting; Restrictions on Transfer; Deferral. Shares issued pursuant to any Stock Award (including, without limitation, the percentage of actual achievement relative to pre-established target Performance Goals) may or may not be made subject to vesting conditioned upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, a Performance Award Formula and/or Performance Goals (the “**Vesting Conditions**”), as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. During any period (the “**Restriction Period**”) in which shares acquired pursuant to a Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to a Change of Control as provided in Section 11 or as provided in Section 8.8. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions. Restricted Stock Units may be subject to such conditions that may delay the delivery of the shares of Stock (or their cash equivalent) subject to Restricted Stock Units after the vesting of such Award.

8.6 Voting Rights; Dividends and Distributions. Except as provided in this Section, Section 8.5 and any Award Agreement, during the Restriction Period applicable to shares subject to a Stock Grant or Stock Purchase Right, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares. With respect to Restricted Stock Units, the Committee may, in its sole discretion, (i) provide that Dividend Equivalents shall not be paid, (ii) provide for the payment of Dividend Equivalents on Restricted Stock Units that have become nonforfeitable, (iii) provide for the accumulation until and payment of Dividend Equivalents to the extent that the Restricted Stock Units become nonforfeitable, or (iv) provide any combination thereof. In the event of a dividend or distribution paid in shares of Stock or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.2, then any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant is entitled by reason of the Participant's Stock Award shall be immediately subject to the same Vesting Conditions and, if applicable, deferral elections as the shares subject to the Stock Award with respect to which such dividends or distributions were paid or adjustments were made. Notwithstanding anything herein to the contrary, dividends or Dividend Equivalents may be accumulated but shall not be paid with respect to shares subject to a Stock Award unless and until the Vesting Conditions are satisfied.

8.7 Effect of Termination of Service. Unless otherwise provided by the Committee in the grant of a Stock Award and set forth in the Award Agreement or in another written (including electronic) agreement between the Company and the Participant, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or Disability), then (i) the Company shall have the option to repurchase for the purchase price paid by the Participant any shares acquired by the Participant pursuant to a Stock Purchase Right which remain subject to Vesting Conditions as of the date of the Participant's termination of Service, (ii) the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Stock Grant which remain subject to Vesting Conditions as of the date of the Participant's termination of Service, and (iii) the Participant shall forfeit all rights in any portion of a Restricted Stock Unit award that has not vested as of the date of the Participant's termination of Service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

8.8 Nontransferability of Stock Award Rights. Rights to acquire shares of Stock pursuant to a Stock Award may not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except by will or the laws of descent and distribution, and, during the lifetime of the Participant, shall be exercisable only by the Participant or the Participant's guardian or legal representative.

9. TERMS AND CONDITIONS OF PERFORMANCE AWARDS. Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. No Performance Award or purported Performance Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement (including through electronic acceptance). Award Agreements evidencing Performance Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

9.1 Types of Performance Awards Authorized. Performance Awards may be in the form either of Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the number of Performance Shares or Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

9.2 Initial Value of Performance Shares and Performance Units. Unless otherwise provided by the Committee in granting a Performance Award, each Performance Share shall have an initial value equal to the Fair Market Value of one (1) share of Stock, subject to adjustment as provided in Section 4.2, on the effective date of grant of the Performance Share, and each Performance Unit shall have an initial value of one hundred dollars (\$100), unless the Committee determines otherwise. The final value payable to the Participant in settlement of a Performance Award determined on the basis of the applicable Performance Award Formula will depend on the extent to which Performance Goals established by the Committee are attained within the applicable Performance Period established by the Committee.

9.3 Establishment of Performance Period, Performance Goals and Performance Award Formula. In granting each Performance Award, the Committee shall establish in writing the applicable Performance Period, Performance Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Performance Award Formula the final value of the Performance Award to be paid to the Participant. The Company shall notify each Participant granted a Performance Award of the terms of such Award, including the Performance Period, Performance Goal(s) and Performance Award Formula.

9.4 Measurement of Performance Goals. The Performance Goals shall be established by the Committee on the basis of achievement of Company-wide, divisional, or individual goals or any other basis determined by the Committee in its discretion. Performance Goals may include a minimum, maximum, or target level and intermediate or other levels of performance, with the final value of a Performance Award determined under the applicable Performance Award Formula by the level attained during the applicable Performance Period. A Performance Goal may be stated as an absolute value or as a value determined relative to a standard selected by the Committee. Performance Goals may differ from Participant to Participant and from Award to Award.

9.5 Settlement of Performance Awards.

(a) **Determination of Final Value.** As soon as practicable following the completion of the Performance Period applicable to a Performance Award, the Committee shall determine the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Performance Award Formula.

(b) **Discretionary Adjustment of Award Formula.** In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter, provide for the positive or negative adjustment of the Performance Award Formula applicable to a Performance Award granted to any Participant to reflect such Participant's individual performance in his or her position with the Company or such other factors as the Committee may determine. If permitted under a Participant's Award Agreement, the Committee shall have the discretion, on the basis of such criteria as may be established by the Committee, to reduce some or all of the value of the Performance Award that would otherwise be paid to the Participant upon its settlement notwithstanding the attainment of any Performance Goal and the resulting value of the Performance Award determined in accordance with the Performance Award Formula.

(c) **Effect of Leaves of Absence.** If required by law or determined by the Committee, payment of the final value, if any, of a Performance Award held by a Participant who has taken in excess of thirty (30) days of leaves of absence during a Performance Period may be prorated on the basis of the number of days of the Participant's Service during the Performance Period during which the Participant was not on a leave of absence.

(d) **Notice to Participants.** As soon as practicable following the Committee's determination in accordance with Sections 9.5(a) and (b), the Company shall notify each Participant of the determination of the Committee.

(e) **Payment in Settlement of Performance Awards.** As soon as practicable following the Committee's determination in accordance with Sections 9.5(a) and (b), payment shall be made to each eligible Participant (or such Participant's legal representative or other person who acquired the right to receive such payment by reason of the Participant's death) of the final value of the Participant's Performance Award. Payment of such amount shall be made in cash, shares of Stock, or a combination thereof as determined by the Committee. Unless otherwise provided in the Award Agreement evidencing a Performance Award, payment shall be made in a lump sum. An Award Agreement may provide for deferred payment in a lump sum or in installments at the election of the Participant or otherwise. If any payment is to be made on a deferred basis, the Committee may, but shall not be obligated to, provide for the payment during the deferral period of Dividend Equivalents or interest.

(f) **Provisions Applicable to Payment in Shares.** Shares of Stock issued in payment of any Performance Award may be fully vested and freely transferable shares or may be shares of Stock subject to Vesting Conditions as provided in Section 8.5. Any shares subject to Vesting Conditions shall be evidenced by an appropriate Award Agreement and shall be subject to the provisions of Sections 8.5 through 8.8 above.

9.6 Dividend Equivalents. In its discretion, the Committee may provide in the Award Agreement evidencing any Performance Share Award that the Participant shall be entitled to receive Dividend Equivalents with respect to the payment of cash dividends on Stock having a record date prior to the date on which the Performance Shares are settled or forfeited. Dividend Equivalents may be paid on Performance Shares that have become nonforfeitable or may be accumulated until and paid to the extent that Performance Shares become

nonforfeitable or a combination thereof, as determined by the Committee. Settlement of Dividend Equivalents may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and may be paid on the same basis as settlement of the related Performance Shares as provided in Section 9.5. Dividend Equivalents shall not be paid with respect to Performance Units. Notwithstanding anything herein to the contrary, Dividend Equivalents may be accumulated but shall not be paid with respect to Performance Share Awards unless and until the Performance Share Awards are earned.

9.7 Effect of Termination of Service. The effect of a Participant's termination of Service on the Participant's Performance Award shall be as determined by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Performance Award or in another written (including electronic) agreement between the Company and the Participant.

9.8 Nontransferability of Performance Awards. Prior to settlement in accordance with the provisions of the Plan, no Performance Award may be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except by will or by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

10. STANDARD FORMS OF AWARD AGREEMENT.

10.1 Award Agreements. Each Award shall comply with and be subject to the terms and conditions set forth in the appropriate form of Award Agreement approved by the Committee and as amended from time to time. Any Award Agreement may consist of an appropriate form of Notice of Grant and a form of Agreement incorporated therein by reference, or such other form or forms as the Committee may approve from time to time.

10.2 Authority to Vary Terms. The Committee shall have the authority from time to time to vary the terms of any standard form of Award Agreement either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; *provided, however*, that the terms and conditions of any such new, revised or amended standard form or forms of Award Agreement are not inconsistent with the terms of the Plan.

10.3 Clawback/Recovery. All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policies that the Company adopts, including any policies that the Company adopts pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Committee may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Committee determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of cause as determined by the Committee.

11. CHANGE OF CONTROL.

11.1 The Committee or the Board may, in its discretion, provide in any Award Agreement, severance plan or other individual agreement, that, in the event of a Change of Control of the Company, the Award held by a Participant shall become vested, exercisable and/or payable to such extent as specified in such document.

11.2 In the event of a Change of Control, the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the "**Acquiror**"), may, without the consent of any Participant, either assume the Company's rights and obligations under outstanding Awards or substitute for

outstanding Awards substantially equivalent equity awards for the Acquiror's stock. In the event the Acquiror elects not to assume or substitute for outstanding Awards in connection with a Change of Control, any unexercised and/or unvested portions of such outstanding Awards shall become immediately exercisable and vested in full as of immediately prior to the effective date of the Change of Control, except that vesting for Awards with performance-based vesting shall be determined based on the level of achievement of Performance Goals prior to the Change of Control, unless the Committee determines otherwise. The exercise and/or vesting of any Award that was permissible solely by reason of this paragraph 11 shall be conditioned upon the consummation of the Change in Control. Any Awards which are not assumed or replaced by the Acquiror in connection with the Change of Control nor exercised as of the time of consummation of the Change of Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change of Control.

12. COMPLIANCE WITH SECURITIES LAW.

12.1 The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of United States federal and state and non-United States law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities 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 hereunder 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 issuance of any Stock, 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.

12.2 If the exercise of an Award, or the purchase or delivery of shares of Stock subject to an Award, following the termination of the Participant's Service would be prohibited at any time during the applicable post-termination period solely because the issuance of shares of Stock would violate the registration requirements under the Securities Act, then the Award shall terminate on the earlier of (a) the expiration of a period of three (3) months after the termination of the Participant's Service during which the exercise of the Award would not be in violation of such registration requirements or (b) the expiration of the term of the Award as set forth in the Award Agreement.

13. TAX WITHHOLDING.

13.1 Tax Withholding in General. Unless prohibited by applicable law, the Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, including by means of a Cashless Exercise of an Option, to make adequate provision for United States federal, state, local and non-United States taxes, if any, required by law to be withheld by the Participating Company Group with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from an escrow established pursuant to an Award Agreement, or to make any payment in cash under the Plan until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

13.2 Withholding in Shares. Unless prohibited by applicable law, the Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Award, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of the Participating Company Group (unless the Company, in its discretion, permits a deduction or tender of fractional shares). The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount permitted by the Committee or the amount of taxes owed by the Participant up to the maximum statutory tax rate in the Participant's applicable jurisdiction.

14. TERMINATION OR AMENDMENT OF PLAN.

The Board or the Committee may terminate or amend the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.2), (b) no change in the class of persons eligible to receive Incentive Stock Options, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule. No termination or amendment of the Plan shall affect any then outstanding Award unless expressly provided by the Board or the Committee. In any event, no termination or amendment of the Plan may adversely affect any then outstanding Award without the consent of the Participant, unless such termination or amendment is necessary to comply with any applicable law, regulation or rule.

15. MISCELLANEOUS PROVISIONS.

15.1 Repurchase Rights. Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee in its discretion at the time the Award is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

15.2 Rights as Employee, Consultant or Director. No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to

remain an Employee, a Consultant or a Director, or interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company other than the Company receives an Award under the Plan, that Award can in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

15.3 Rights as a Stockholder. A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.2 or another provision of the Plan.

15.4 Fractional Shares. The Company shall not be required to issue fractional shares upon the exercise or settlement of any Award.

15.5 Beneficiary Benefits. Subject to local laws and procedures, the Company may request appropriate written documentation from a trustee or other legal representative, court, or similar legal body, regarding any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before such representative shall be entitled to act on behalf of the Participant and before a beneficiary receives any or all of such benefit.

15.6 Unfunded Obligation. Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. No Participating Company shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee, an Officer Committee or any Participating Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of any Participating Company. The Participants shall have no claim against any Participating Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

15.7 Section 409A. It is intended that all of the benefits and payments provided under the Plan satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A (together, with any state law of similar effect, "**Section 409A**") provided under Treasury Regulations Sections 1.409A-1(b)(4), 1.409A-1(b)(5), 1.409A-1(b)(6) and 1.409A-1(b)(9), and the Plan will be construed to the greatest extent possible as consistent with those provisions. To the extent not so exempt, the Plan and the payments and benefits to be provided hereunder are intended to, and will be construed and implemented so as to, comply in all respects with the applicable provisions of Section 409A. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), any right to receive any installment payments under the Plan shall be treated as a right to receive a series of separate and distinct payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment.

To the extent that the Committee determines that any Award granted under the Plan is, or may reasonably be, subject to Section 409A, the Award Agreement evidencing such Award shall incorporate the terms and conditions necessary to avoid the consequences described in Section 409A(a)(1) of the Code (or any similar provision). Such terms and conditions shall include, without limitation, the following provision (or comparable provision of similar effect): "To the extent that (i) one or more of the payments or benefits received or to be received by a Participant upon "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h) without regard to alternative definitions thereunder) pursuant to the Plan would constitute deferred compensation subject to the requirements of Section 409A, and (ii) the Participant is a "specified employee" within the meaning of Section 409A at the time of separation from service, then to the extent delayed commencement of any portion of such payments or benefits is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments and benefits shall not be provided to the Participant prior to the earliest of (i) the expiration of the six-month period measured from the date of separation from service, (ii) the date of the Participant's death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation on the Participant. Upon the first business day following the expiration of such applicable Section 409A(a)(2)(B)(i) period, all payments and benefits deferred pursuant to this paragraph shall be paid in a lump sum to the Participant, and any remaining payments and benefits due shall be paid as otherwise provided herein." If an Award Agreement is silent as to such provision, the foregoing provision is hereby incorporated by reference directly into such Award Agreement.

In addition, and notwithstanding any provision of the Plan to the contrary, in the event that the Committee determines that any Award is, or may reasonably be, subject to Section 409A and related Department of Treasury guidance (including such Department of Treasury guidance issued from time to time) or contains any ambiguity as to the application of Section 409A, the Committee may, without the Participant's consent, adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (A) exempt (or clarify the exemption of) the Award from Section 409A, (B) preserve the intended tax treatment of the benefits provided with respect to the Award, and/or (C) comply with the requirements of Section 409A and related Department of Treasury guidance.

Notwithstanding anything to the contrary contained herein, neither the Company nor any of its Affiliates shall be responsible for, or required to reimburse or otherwise make any Participant whole for, any tax or penalty imposed on, or losses incurred by, any Participant that arises in connection with the potential or actual application of Section 409A to any Award granted hereunder.

APPENDIX I

(a) "**Affiliate**" means (i) an entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) an entity, other than a Subsidiary Corporation, that is controlled by the Company directly, or indirectly through one or more intermediary entities. For this purpose, the term "control" (including the term "controlled by") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the relevant entity, whether through the ownership of voting securities, by contract or otherwise; or shall have such other meaning assigned such term for the purposes of registration on Form S-8 under the Securities Act.

(b) "**Award**" means any Option, SAR, Stock Purchase Right, Stock Grant, Restricted Stock Unit, Performance Share, Performance Unit or for service as a Director, cash-based amounts (including, without limitation, retainers) granted under the Plan.

(c) "**Award Agreement**" means a written (including electronic) agreement between the Company and a Participant setting forth the terms, conditions and restrictions of the Award granted to the Participant. An Award Agreement may be an "Option Agreement, a "SAR Agreement," a "Stock Purchase Agreement," a "Stock Grant Agreement," a "Restricted Stock Unit Agreement," a "Performance Share Agreement" or a "Performance Unit Agreement."

(d) "**Board**" means the Board of Directors of the Company.

(e) "**Change of Control**" means:

(i) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity or person, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company;

(ii) during any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board) (the "**Incumbent Directors**"), cease for any reason to constitute a majority thereof;

(iii) there occurs a reorganization, merger, consolidation or other corporate transaction involving the Company (a "**Transaction**"), in each case with respect to which the stockholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own securities representing more than fifty percent (50%) of the combined voting power of the Company, a parent of the Company or other corporation resulting from such Transaction (counting, for this purpose, only those securities held by the

Company's stockholders immediately after the Transaction that were received in exchange for, or represent their continuing ownership of, securities of the Company held by them immediately prior to the Transaction);

(iv) all or substantially all of the assets of the Company are sold, liquidated or distributed; or

(v) there is a "Change of Control" or a "change in the effective control" of the Company within the meaning of Section 280G of the Code and the regulations promulgated thereunder.

(f) "**Code**" means the United States Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(g) "**Committee**" means the Executive Compensation Committee or other committee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. If no committee of the Board has been appointed to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(h) "**Company**" means Adobe Inc., a Delaware corporation, or any successor corporation thereto.

(i) "**Consultant**" means a person engaged to provide consulting or advisory services (other than as an Employee or a member of the Board) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on, as applicable, (i) registration on a Form S-8 Registration Statement under the Securities Act, (ii) Rule 701 of the Securities Act, or (iii) other means of compliance with the securities laws of all relevant jurisdictions.

(j) "**Director**" means a member of the Board or the board of directors of any other Participating Company.

(k) "**Disability**" means the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) and 409A(a)(2)(C)(i) of the Code.

(l) "**Dividend Equivalent**" means a credit, made at the discretion of the Committee or as otherwise provided by the Plan, to the account of a Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.

(m) "**Employee**" means any person treated as an employee (including an Officer or a member of the Board who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; *provided, however*, that neither service as a member of the Board nor payment of a Director's fee shall be sufficient to constitute employment for purposes of the Plan.

(n) "**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

(o) **"Fair Market Value"** means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) If, on such date, the Stock is listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock (or the mean of the closing bid and asked prices of a share of Stock if the Stock is so quoted instead) as quoted on The Nasdaq Global Select Market, The Nasdaq Capital 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 or such other value determined by the Committee in good faith. 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 Committee, in its discretion.

(ii) If, on such date, the Stock is not listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse.

(p) **"Incentive Stock Option"** means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Nonstatutory Stock Option.

(q) **"Nonstatutory Stock Option"** means an Option not intended to be (as set forth in the Award Agreement) or not qualifying as an incentive stock option within the meaning of Section 422(b) of the Code.

(r) **"Officer"** means any person designated by the Board as an officer of the Company.

(s) **"Option"** means the right to purchase Stock at a stated price for a specified period of time granted to a Participant pursuant to Section 6 of the Plan. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

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

(u) **"Participant"** means any eligible person who has been granted one or more Awards.

(v) **"Participating Company"** means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

(w) **"Participating Company Group"** means, at any point in time, all entities collectively which are then Participating Companies.

(x) **"Performance Award"** means an Award of Performance Shares or Performance Units.

(y) **"Performance Award Formula"** means, for an Award, a formula or table established by the Committee, which provides the basis for computing the value of an Award at one or more levels of attainment of the applicable Performance Goal(s) measured as of the end of the applicable Performance Period.

(z) **"Performance Goal"** means a performance goal established by the Committee.

(aa) **"Performance Period"** means a period established by the Committee at the end of which one or more Performance Goals are to be measured.

(bb) **"Performance Share"** means a bookkeeping entry representing a right granted to a Participant pursuant to Section 9 of the Plan to receive a payment in Stock, a cash payment equivalent, or a combination thereof, as determined in the sole discretion of the Committee, based upon achievement of one or more Performance Goals.

(cc) **"Performance Unit"** means a bookkeeping entry representing a right denominated in cash or property other than shares of Stock granted to a Participant pursuant to Section 9 of the Plan to receive a payment equal to the value of a Performance Unit based upon achievement of one or more Performance Goals.

(dd) **"Restricted Stock Unit"** means a bookkeeping entry representing a right granted to a Participant pursuant to Section 8 of the Plan to receive one share of Stock, a cash payment equal to the value of one share of Stock, or a combination thereof, as determined in the sole discretion of the Committee.

(ee) **"Restriction Period"** means the period established in accordance with Section 8.5 of the Plan during which shares subject to a Stock Award are subject to Vesting Conditions.

(ff) **"SAR"** means a bookkeeping entry representing, for each share of Stock subject to such SAR, a right granted to a Participant pursuant to Section 7 of the Plan to receive payment of an amount equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price.

(gg) **"Securities Act"** means the United States Securities Act of 1933, as amended.

(hh) **"Service"** means a Participant's employment or service with the Participating Company Group as an Employee, a Consultant or a Director, whichever such capacity the Participant held on the date of grant of an Award. Unless otherwise determined by the Committee, a Participant's Service shall be deemed to have terminated if the Participant ceases to render service to the Participating Company Group in such initial capacity. However, a Participant's Service shall not be deemed to have terminated merely because of a change in the Participating Company for which the Participant renders such Service in such initial capacity, provided that there is no interruption or termination of the Participant's Service. A Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing and to the extent applicable Section 409A, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

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

(jj) **"Stock Award"** means an Award of a Stock Grant, a Stock Purchase Right or a Restricted Stock Unit Award.

(kk) **"Stock Grant"** means Stock granted to a Participant pursuant to Section 8 of the Plan.

(ll) **"Stock Purchase Right"** means a right to purchase Stock granted to a Participant pursuant to Section 8 of the Plan.

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

(nn) **"Ten Percent Owner"** means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company (other than an Affiliate) within the meaning of Section 422(b)(6) of the Code.

(oo) **"Vesting Conditions"** mean those conditions established in accordance with Section 8.5 of the Plan prior to the satisfaction of which shares subject to a Stock Award remain subject to forfeiture or a repurchase option in favor of the Company.

EXHIBIT 31.1

CERTIFICATIONS

I, Shantanu Narayen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Adobe Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: **March 27, 2024** **June 26, 2024**

/s/ SHANTANU NARAYEN

Shantanu Narayen

Chair and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Daniel Durn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Adobe Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: **March 27, 2024** June 26, 2024

/s/ DANIEL DURN

Daniel Durn
Chief Financial Officer and
Executive Vice President, Finance,
Technology Services and Operations

EXHIBIT 32.1

**CERTIFICATIONS PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Adobe Inc. (the "Registrant") on Form 10-Q for the quarterly period ended **March 1, 2024** **May 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shantanu Narayen, certify, in accordance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that to the best of my knowledge:

- (1) The Report, to which this certification is attached as Exhibit 32.1, fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: March 27, 2024 June 26, 2024

/s/ SHANTANU NARAYEN

Shantanu Narayen

Chair and Chief Executive Officer

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

EXHIBIT 32.2

**CERTIFICATIONS PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Adobe Inc. (the "Registrant") on Form 10-Q for the quarterly period ended March 1, 2024 May 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel Durn, certify, in accordance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that to the best of my knowledge:

- (1) The Report, to which this certification is attached as Exhibit 32.2, fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: March 27, 2024 June 26, 2024

/s/ DANIEL DURN

Daniel Durn

Chief Financial Officer and

Executive Vice President, Finance,

Technology Services and Operations

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

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