

Analyst Contact:  
Jim Stephens  
VP Investor Relations  
408 536.4416  
ir@adobe.com  
Press Contact:  
Wendy Strickman  
Director, Public Relations  
wstrick@adobe.com  
408.536.4033

**For Immediate Release**

## **Adobe Systems Reports Financial Results for First Quarter of Fiscal 1999**

### **Results Exceed the First Call Consensus of Analysts' Estimates**

San Jose, Calif., (March 18, 1999) (NASDAQ:ADBE) – Adobe Systems Incorporated today reported its financial results for its first quarter of fiscal 1999 ended March 5, 1999.

For the first quarter, Adobe achieved revenue of \$226.9 million, compared to \$197.8 million reported for the first quarter of fiscal 1998 and \$246.7 million reported in the fourth quarter of fiscal 1998. Net income for the first quarter of fiscal 1999 was \$38.3 million, compared to \$26.7 million reported in the same quarter of fiscal 1998 and \$50.3 million in the fourth quarter of fiscal 1998. Diluted earnings per share for the first quarter of fiscal 1999 were \$0.60 based on 63.4 million weighted average shares. This compares with diluted earnings per share of \$0.38 reported in the first quarter of fiscal 1998, based on 69.6 million weighted average shares and diluted earnings per share of \$0.78 reported in the fourth quarter of fiscal 1998, based on 64.2 million weighted average shares.

Application products revenue for the first quarter of fiscal 1999 was \$188.8 million, compared to \$156.0 million for the same quarter of fiscal 1998, and \$207.7 million for the fourth quarter of fiscal 1998. This represents 25.9% year over year growth after deducting revenue from divested businesses. Licensing revenue for the first quarter of fiscal 1999 was \$38.1 million, compared to \$41.9 million in the same quarter of fiscal 1998 and \$39.0 million in the fourth quarter of fiscal 1998.

“We are pleased with the results for the first quarter of fiscal 1999 and we see positive momentum for the remainder of the year, with a strong product release cycle just ahead of us for web and publishing solutions,” said John E. Warnock, chairman and chief executive officer of Adobe.

“Revenue growth in the quarter was solid; management controls are in place, enabling us to effectively deploy resources; and we continue to enhance our operating model. We remain committed to an FY 1999 annual revenue growth rate of 15%, after divested businesses, with an annual operating margin of 25%.”

Warnock added that the results for second quarter of fiscal 1999 that ends June 4, 1999 may exceed the current First Call consensus of analysts' earnings estimates of \$0.55 per share. Based upon preliminary analysis of the second quarter, earnings per share could be in the range of \$0.62 – \$0.66, based upon 63.4 million weighted average shares.

The Adobe Board of Directors declared this quarter's cash dividend of \$0.05 per share, payable on April 14, 1999 to stockholders of record as of March 31, 1999.

This press release contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to; delays in shipment of the Company's new products and major new versions of existing products; lack of market acceptance of new products and upgrades; introduction of new products by major competitors; ongoing weakness in the Company's printing business due to product transitions; industry transitions to new business and information delivery models; ongoing weakness in the Japanese economy; adverse economic conditions in any of the major countries in which the Company does business, and Year 2000 issues. For further discussion of the risks and uncertainties, readers should refer to the Company's SEC filings including the 1998 annual report on Form 10K and the quarterly reports on Form 10Q to be filed by the Company in 1999.

#### **About Adobe Systems Incorporated**

Founded in 1982, Adobe Systems is a leading provider of graphic design, publishing, and imaging software for Web and print production, and the second largest desktop software company in the world with annual revenues approaching \$1 billion. The Company builds award-winning software solutions for Web and graphic designers, professional publishers, document-intensive organizations, business users, and consumers. Adobe's products enable customers to create, publish and deliver visually-rich images and documents across all print and electronic media. Adobe's worldwide headquarters are in San Jose, California and its web site is located at [www.adobe.com](http://www.adobe.com).

###

**CONSOLIDATED STATEMENTS OF INCOME**  
 (In thousands, except per share data)

	<b>Three Months Ended</b>	
	<b>(Unaudited) March 5 1999</b>	<b>(Unaudited) February 27 1998</b>
Revenue:		
Licensing	\$ 38,099	\$ 41,851
Application products	<u>188,803</u>	<u>155,962</u>
Total revenue	226,902	197,813
Direct costs	<u>22,499</u>	<u>27,805</u>
Gross margin	<u>204,403</u>	<u>170,008</u>
Operating expenses:		
Research and development	44,904	43,338
Sales and marketing	78,480	71,491
General and administrative	<u>26,566</u>	<u>33,507</u>
Total operating expenses	<u>149,950</u>	<u>148,336</u>
Operating income	<u>54,453</u>	<u>21,672</u>
Nonoperating income, net:		
Investment gain (loss)	(20)	12,462
Interest and other income	<u>5,886</u>	<u>8,501</u>
Total nonoperating income, net	<u>5,866</u>	<u>20,963</u>
Income before income taxes	60,319	42,635
Provision for income taxes	<u>22,043</u>	<u>15,891</u>
Net income	<u>\$ 38,276</u>	<u>\$ 26,744</u>
Basic net income per share	<u>\$ .63</u>	<u>\$ .39</u>
Shares used in computing basic net income per share	<u>60,973</u>	<u>67,762</u>
Diluted net income per share	<u>\$ .60</u>	<u>\$ .38</u>
Shares used in computing diluted net income per share	<u>63,384</u>	<u>69,585</u>

**CONSOLIDATED BALANCE SHEETS**  
**(In thousands, except per share data)**

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>March 5</b>	<b>November 27</b>
	<b>1999</b>	<b>1998</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 79,486	\$ 110,871
Short-term investments	183,751	161,676
Receivables	132,042	141,180
Other current assets	<u>43,484</u>	<u>42,218</u>
Total current assets	438,763	455,945
Property and equipment	93,562	93,887
Deferred income taxes	2,128	16,647
Other assets	<u>238,053</u>	<u>200,852</u>
Total assets	<u>\$ 772,506</u>	<u>\$ 767,331</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 29,250	\$ 48,681
Accrued expenses	125,782	117,539
Accrued restructuring charges	6,975	8,867
Income taxes payable	47,659	64,546
Deferred revenue	<u>17,970</u>	<u>11,333</u>
Total current liabilities	<u>227,636</u>	<u>250,966</u>
Stockholders' equity:		
Common stock, \$0.0001 par value, and additional paid-in capital	315,370	306,859
Retained earnings	750,225	732,730
Accumulated other comprehensive income	16,830	(1,879)
Treasury stock at cost, net of reissuances	<u>(537,555)</u>	<u>(521,345)</u>
Total stockholders' equity	<u>544,870</u>	<u>516,365</u>
Total liabilities and stockholders' equity	<u>\$ 772,506</u>	<u>\$ 767,331</u>