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FOR IMMEDIATE RELEASE

**Adobe Systems Announces Financial Results for Second Quarter of Fiscal 1999
Company Reports Record First Half Results and Exceeds Analysts' Estimates**

San Jose, Calif., (June 17, 1999) (NASDAQ:ADBE) - Adobe Systems Incorporated today announced its financial results for its second quarter of fiscal 1999 ended June 4, 1999, reporting a record first six months and exceeding analysts' estimates.

Revenue for the second quarter of fiscal 1999 was \$245.9 million compared to \$227.3 million reported for the second quarter of fiscal 1998. Net income for the second quarter of fiscal 1999 was \$45.0 million, up 60.7% from \$28.0 million reported for the second quarter of fiscal 1998. Diluted earnings per share for the second quarter of fiscal 1999 were \$0.70 based on 64.1 million weighted average shares compared to \$0.41 reported for the same period last year, based on 69.0 million weighted average shares.

Application products revenue for the second quarter of fiscal 1999 was \$209.7 million compared to \$184.9 million for the same quarter of fiscal 1998, representing an 18.0% increase after deducting revenue from divested business units. Licensing revenue for the second quarter of fiscal 1999 was \$36.2 million compared to \$42.5 million in the same quarter of fiscal 1998.

Comparing the first six months of fiscal 1999 to the same period last year: revenue increased \$61.2 million, or 14.9%, excluding fiscal 1998 revenue from divested business units; operating profit increased \$61.8 million, or 104%, excluding restructuring charges; and diluted earnings per share increased 94.1%, from \$0.68 in fiscal 1998 to \$1.32 in fiscal 1999, excluding restructuring charges and investment gains and losses from the Company's venture investing program.

"We are pleased to report success and progress against our stated goals. We remain committed to a fiscal year 1999 annual revenue growth rate of 15%, after divested business units, with an

annual operating margin of 25%,” said John E. Warnock, chairman and chief executive officer of Adobe. “There is positive momentum for the remainder of the year with a strong product release cycle ahead of us.”

Results are attributed to continued demand for Adobe’s products driven by e-business and Web page development such as Adobe® Photoshop®, Adobe Acrobat®, Adobe GoLive™, Adobe Illustrator®, Adobe Premiere® and Adobe AfterEffects®. In addition, Acrobat had an all-time record quarter, making it the Company’s fastest-growing product. This success, coupled with the worldwide distribution of over 100 million Acrobat Readers, solidifies Acrobat and Adobe’s Portable Document Format (PDF) as de facto standards for final form delivery and display of electronic documents.

Today, the Company also announced new products and a destination site that will continue to expand its digital imaging franchise, as well as shape the future of the Web and digital imaging markets. These announcements include: Adobe Photoshop 5.5, a new Web-savvy version of the Company’s flagship product; Adobe Photoshop Limited Edition, a version targeted at digital imaging enthusiasts and business professionals who do not require the full range of functionality of Adobe Photoshop; and an integrated desktop application and destination site, Adobe ActiveShare™ and www.ActiveShare.com, that will allow consumers to participate in the sharing of photos on the Web.

“With these announcements, Adobe is further energizing the digital imaging and Web graphics markets with a complete family of solutions that span from novice to professional. Customers will think ‘Adobe’ when they think Web and digital imaging,” said Bruce Chizen, executive vice president, worldwide products and marketing, of Adobe.

The Adobe Board of Directors declared this quarter's cash dividend of \$0.05 per share, payable on July 15, 1999 to stockholders of record as of July 1, 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, product upgrades or new destination site; 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 fourth largest U.S.-based personal software company 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.

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Editors Notes: Please refer to the other announcements released today, and all other PR related materials from Adobe Systems, online in the Adobe Press Room located at <http://www.adobe.com/pressroom>.

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Unaudited June 4 1999</u>	<u>Unaudited May 29 1998</u>	<u>Unaudited June 4 1999</u>	<u>Unaudited May 29 1998</u>
Revenue:				
Licensing	\$ 36,165	\$ 42,456	\$ 74,264	\$ 84,307
Application products	<u>209,721</u>	<u>184,854</u>	<u>398,524</u>	<u>340,816</u>
Total revenue	245,886	227,310	472,788	425,123
Direct costs	<u>23,704</u>	<u>25,568</u>	<u>46,203</u>	<u>53,373</u>
Gross margin	<u>222,182</u>	<u>201,742</u>	<u>426,585</u>	<u>371,750</u>
Operating expenses:				
Research and development	47,623	49,414	92,527	92,752
Sales and marketing	79,483	85,133	157,963	156,624
General and administrative	28,215	29,386	54,781	62,893
Restructuring charges	<u>15,340</u>	<u>565</u>	<u>15,340</u>	<u>565</u>
Total operating expenses	<u>170,661</u>	<u>164,498</u>	<u>320,611</u>	<u>312,834</u>
Operating income	<u>51,521</u>	<u>37,244</u>	<u>105,974</u>	<u>58,916</u>
Nonoperating income, net:				
Investment gain (loss)	14,015	(188)	13,995	12,274
Interest and other income	<u>5,252</u>	<u>7,589</u>	<u>11,138</u>	<u>16,090</u>
Total nonoperating income, net	<u>19,267</u>	<u>7,401</u>	<u>25,133</u>	<u>28,364</u>
Income before income taxes	70,788	44,645	131,107	87,280
Provision for income taxes	<u>25,827</u>	<u>16,665</u>	<u>47,870</u>	<u>32,556</u>
Net income	<u>\$ 44,961</u>	<u>\$ 27,980</u>	<u>\$ 83,237</u>	<u>\$ 54,724</u>
Basic net income per share	<u>\$.74</u>	<u>\$.42</u>	<u>\$ 1.37</u>	<u>\$.81</u>
Shares used in computing basic net income per share	<u>60,572</u>	<u>66,735</u>	<u>60,767</u>	<u>67,257</u>
Diluted net income per share	<u>\$.70</u>	<u>\$.41</u>	<u>\$ 1.30</u>	<u>\$.79</u>
Shares used in computing diluted net income per share	<u>64,050</u>	<u>68,990</u>	<u>63,864</u>	<u>69,453</u>

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

	Unaudited June 4 1999	Audited November 27 1998
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 122,158	\$ 110,871
Short-term investments	204,386	161,676
Receivables	121,025	141,180
Deferred income taxes	35,013	32,028
Other current assets	<u>11,926</u>	<u>10,190</u>
Total current assets	494,508	455,945
Property and equipment	94,466	93,887
Deferred income taxes	—	16,647
Restricted funds and security deposits	130,002	130,260
Other assets	<u>123,487</u>	<u>70,592</u>
Total assets	<u>\$ 842,463</u>	<u>\$ 767,331</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade and other payables	\$ 38,582	\$ 48,681
Accrued expenses	139,127	117,539
Accrued restructuring charges	19,912	8,867
Income taxes payable	42,944	64,546
Deferred revenue	<u>21,642</u>	<u>11,333</u>
Total current liabilities	<u>262,207</u>	<u>250,966</u>
Deferred income taxes	<u>5,692</u>	<u>—</u>
Stockholders' equity:		
Common stock, \$0.0001 par value, and additional paid-in capital	331,440	306,859
Retained earnings	773,127	732,730
Accumulated other comprehensive income	19,054	(1,879)
Treasury stock at cost, net of reissuances	<u>(549,057)</u>	<u>(521,345)</u>
Total stockholders' equity	<u>574,564</u>	<u>516,365</u>
Total liabilities and stockholders' equity	<u>\$ 842,463</u>	<u>\$ 767,331</u>