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For Immediate Release

## **Adobe Systems Reports Record Revenue for First Quarter**

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### **Web Fuels Year over Year Growth of 24% in Revenue and 63% in Operating Profit**

San Jose, Calif., (March 16, 2000) (NASDAQ:ADBE) — Adobe Systems Incorporated today reported financial results for its first quarter ended March 3, 2000.

In the first quarter, Adobe achieved record revenue of \$282.2 million, compared to \$226.9 million reported for the first quarter of fiscal 1999 and \$281.8 million reported in the fourth quarter of fiscal 1999. This represents 24% year over year growth, and is the third consecutive quarter in which Adobe achieved record revenue results.

“Our results in the first quarter demonstrate the success and momentum of our current product line up. As Adobe enters the second quarter, we are in the strongest position ever in terms of our upcoming product releases and the efficiency of our operational infrastructure,” said John E. Warnock, chairman and chief executive officer of Adobe.

Net income, which includes non-operating gains and losses, was \$64.6 million for the first quarter of fiscal 2000, compared to \$38.3 million reported in the first quarter of fiscal 1999, and \$97.4 million in the fourth quarter of fiscal 1999.

Diluted earnings per share for the first quarter of fiscal 2000 were \$0.51 based on 126.5 million weighted average shares. This compares with diluted earnings per share of \$0.30 reported in the first quarter of fiscal 1999, based on 126.8 million weighted average shares, and diluted earnings per share of \$0.76 reported in the fourth quarter of fiscal 1999, based on 127.4 million weighted average shares.

Excluding small gains from the reversal of a previous restructuring charge and the sale of other assets, and investment gains and losses from the Company's venture programs, diluted earnings per share for the first quarter of fiscal 2000 were \$0.47.

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Operating profit for the first quarter was \$89.0 million, compared to \$54.5 million in the first quarter of fiscal 1999, and \$81.9 million in the fourth quarter of fiscal 1999.

Excluding the restructuring charge reversal, Adobe's operating profit in the first quarter of fiscal 2000 was 31.3% of revenue, compared to 24.0% in the first quarter of fiscal 1999, and 31.5% last quarter.

The Adobe Board of Directors declared this quarter's cash dividend of \$0.025 per share, payable on April 10, 2000 to stockholders of record as of March 27, 2000.

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: lack of market acceptance of new products and upgrades; delays in shipment of the Company's new products and major new versions of existing products; introduction of new products by major competitors; ongoing weakness in the Company's printing business due to product transitions; industry transitions to new distribution, business and information delivery models; 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 1999 annual report on Form 10-K and the quarterly reports on Form 10-Q filed by the Company in 1999 and 2000.

### **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 exceeding \$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).

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

	<b>Three Months Ended</b>	
	<b>March 3 2000</b>	<b>March 5 1999</b>
Revenue	\$ 282,232	\$ 226,902
Direct costs	20,722	22,499
Gross profit	<u>261,510</u>	<u>204,403</u>
Operating expenses:		
Research and development	57,458	44,877
Sales and marketing	87,760	78,480
General and administrative	26,757	25,403
Restructuring and other charges	(672)	—
Amortization of goodwill and purchased intangibles	1,203	1,190
Total operating expenses	<u>172,506</u>	<u>149,950</u>
Operating income	<u>89,004</u>	<u>54,453</u>
Nonoperating income, net:		
Investment gain (loss)	4,676	(20)
Interest and other income	5,651	5,886
Total nonoperating income, net	<u>10,327</u>	<u>5,866</u>
Income before income taxes	99,331	60,319
Income tax provision	<u>34,766</u>	<u>22,043</u>
Net income	<u>\$ 64,565</u>	<u>\$ 38,276</u>
Basic net income per share	<u>\$ .54</u>	<u>\$ .31</u>
Shares used in computing basic net income per share	<u>118,628</u>	<u>121,946</u>
Diluted net income per share	<u>\$ .51</u>	<u>\$ .30</u>
Shares used in computing diluted net income per share	<u>126,489</u>	<u>126,768</u>

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

	<u>March 3 2000</u>	<u>December 3 1999</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 160,387	\$ 171,145
Short-term investments	481,320	327,571
Receivables	145,906	78,766
Deferred income taxes	37,706	36,185
Other current assets	14,279	9,348
Total current assets	<u>839,598</u>	<u>623,015</u>
Property and equipment	61,411	69,138
Deferred income taxes	5,769	—
Other assets	110,296	111,706
Total assets	<u>\$ 1,017,074</u>	<u>\$ 803,859</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 38,730	\$ 35,692
Accrued expenses	165,577	150,902
Accrued restructuring charges	1,464	8,675
Income taxes payable	80,646	56,684
Deferred revenue	18,711	15,676
Deferred income taxes	38,086	—
Total current liabilities	<u>343,214</u>	<u>267,629</u>
Deferred income taxes	37,255	24,021
Stockholders' equity:		
Common stock, \$0.0001 par value, and additional paid-in capital	388,899	369,057
Retained earnings	958,296	896,239
Accumulated other comprehensive income	118,612	40,332
Treasury stock at cost, net of reissuances	(829,202)	(793,419)
Total stockholders' equity	<u>636,605</u>	<u>512,209</u>
Total liabilities and stockholders' equity	<u>\$ 1,017,074</u>	<u>\$ 803,859</u>