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**For Immediate Release**

## **Adobe Systems Reports Record Second Quarter Results**

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### **Company Achieves \$300 Million in Revenue and Record Operating Profit**

San Jose, Calif., (June 15, 2000) (Nasdaq:ADBE)—Adobe Systems Incorporated today reported financial results for its second quarter ended June 2, 2000.

In the second quarter, Adobe achieved record revenue of \$300.1 million, compared to \$245.9 million reported for the second quarter of fiscal 1999 and \$282.2 million reported in the first quarter of fiscal 2000. This represents 22% year over year growth, and is the fourth consecutive quarter in which Adobe achieved record revenue results.

“Our Web publishing and Acrobat revenue accelerated, and our overall business continues to be fueled by the Internet. We are in the best position in the Company’s seventeen year history,” said John E. Warnock, chairman and chief executive officer of Adobe.

Net income, which includes non-operating gains and losses, was \$65.8 million for the second quarter of fiscal 2000, compared to \$45.0 million reported in the second quarter of fiscal 1999, and \$64.6 million in the first quarter of fiscal 2000. This represents 46% year over year earnings growth.

Diluted earnings per share for the second quarter of fiscal 2000 were \$0.52 based on 127.7 million weighted average shares. This compares with diluted earnings per share of

\$0.35 reported in the second quarter of fiscal 1999, based on 128.1 million weighted average shares, and diluted earnings per share of \$0.51 reported in the first quarter of fiscal 2000, based on 126.5 million weighted average shares.

Excluding restructuring and other charges, and investment gains and losses from the Company's venture programs, diluted earnings per share for the second quarter of fiscal 2000 were \$0.51.

Excluding restructuring and other charges, Adobe's operating profit was a record \$95.8 million in the second quarter of fiscal 2000, compared to \$66.9 million in the second quarter of fiscal 1999, and \$88.3 million in the first quarter of fiscal 2000. As a percent of revenue, operating profit in the second quarter of fiscal 2000 was 31.9%, compared to 27.2% in the second quarter of fiscal 1999, and 31.3% last quarter.

Commenting on Adobe's competitive environment and future performance, Warnock said, "To maintain our competitive edge, we will no longer provide unannounced product delivery schedules or individual product revenue targets. As part of our quarterly planning process, we have reviewed changing product schedules and our financial targets for the remainder of the fiscal year. We confirm 25% planned revenue growth for the second half of fiscal 2000, and we are pleased to announce that we expect 25% revenue growth in each of the third and fourth quarters of fiscal 2000."

Going forward, Adobe also provided new operating model targets. They include a gross margin target of 92%, and expense targets as a percent of revenue as follows: 20% research and development, 33% sales and marketing, and 9% general and administrative.

The Adobe Board of Directors declared this quarter's cash dividend of \$0.025 per share, payable on July 19, 2000 to stockholders of record as of July 5, 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; and adverse economic conditions in any of the major countries in which the Company does business. 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 quarterly reports on Form 10-Q filed by the Company in 2000.

### **About Adobe Systems Incorporated**

Founded in 1982, Adobe Systems Incorporated ([www.adobe.com](http://www.adobe.com)) builds award-winning software solutions for Web and print publishing. Its graphic design, imaging, dynamic media, and authoring tools enable customers to create, publish and deliver visually rich content for various types of media. Headquartered in San Jose, California, Adobe is the third largest PC software company in the U.S., with annual revenues exceeding \$1 billion.

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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>June 2 2000</u>	<u>June 4 1999</u>	<u>June 2 2000</u>	<u>June 4 1999</u>
Revenue	\$ 300,085	\$ 245,886	\$ 582,317	\$ 472,788
Direct costs	<u>20,604</u>	<u>23,704</u>	<u>41,326</u>	<u>46,203</u>
Gross margin	<u>279,481</u>	<u>222,182</u>	<u>540,991</u>	<u>426,585</u>
Operating expenses:				
Research and development	60,912	47,596	118,370	92,473
Sales and marketing	93,622	79,475	181,382	157,955
General and administrative	27,920	27,052	54,677	52,455
Restructuring and other charges	6,301	15,340	5,629	15,340
Amortization of goodwill and purchased intangibles	<u>1,215</u>	<u>1,198</u>	<u>2,418</u>	<u>2,388</u>
Total operating expenses	<u>189,970</u>	<u>170,661</u>	<u>362,476</u>	<u>320,611</u>
Operating income	<u>89,511</u>	<u>51,521</u>	<u>178,515</u>	<u>105,974</u>
Nonoperating income, net:				
Investment gain	7,691	14,015	12,367	13,995
Interest and other income	<u>3,993</u>	<u>5,252</u>	<u>9,644</u>	<u>11,138</u>
Total nonoperating income, net	<u>11,684</u>	<u>19,267</u>	<u>22,011</u>	<u>25,133</u>
Income before income taxes	101,195	70,788	200,526	131,107
Provision for income taxes	<u>35,418</u>	<u>25,827</u>	<u>70,184</u>	<u>47,870</u>
Net income	<u>\$ 65,777</u>	<u>\$ 44,961</u>	<u>\$ 130,342</u>	<u>\$ 83,237</u>
Basic net income per share	<u>\$ .55</u>	<u>\$ .37</u>	<u>\$ 1.10</u>	<u>\$ .68</u>
Shares used in computing basic net income per share	<u>118,758</u>	<u>121,144</u>	<u>118,573</u>	<u>121,534</u>
Diluted net income per share	<u>\$ .52</u>	<u>\$ .35</u>	<u>\$ 1.02</u>	<u>\$ .65</u>
Shares used in computing diluted net income per share	<u>127,674</u>	<u>128,100</u>	<u>127,356</u>	<u>127,728</u>

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

	<b>June 2</b>	<b>December 3</b>
	<b>2000</b>	<b>1999</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 204,658	\$ 171,145
Short-term investments	340,813	327,571
Receivables	143,422	78,766
Deferred income taxes	41,660	36,185
Other current assets	<u>12,931</u>	<u>9,348</u>
Total current assets	743,484	623,015
Property and equipment	59,538	69,138
Other assets	116,786	111,706
Deferred income taxes	<u>16,399</u>	<u>          </u>
Total assets	<u>\$ 936,207</u>	<u>\$ 803,859</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 36,892	\$ 35,692
Accrued expenses	168,520	150,902
Accrued restructuring charges		8,675
Income taxes payable	85,077	56,684
Deferred revenue	18,231	15,676
Deferred income taxes	<u>12,085</u>	<u>          </u>
Total current liabilities	<u>320,805</u>	<u>267,629</u>
Deferred income taxes	<u>11,598</u>	<u>24,021</u>
Stockholders' equity:		
Common stock, \$0.0001 par value, and additional paid-in capital	427,567	369,057
Retained earnings	1,021,077	896,239
Accumulated other comprehensive income	35,596	40,332
Treasury stock at cost, net of reissuances	<u>(880,436)</u>	<u>(793,419)</u>
Total stockholders' equity	<u>603,804</u>	<u>512,209</u>
Total liabilities and stockholders' equity	<u>\$ 936,207</u>	<u>\$ 803,859</u>