

Press/Analyst Contacts

Investor Relations:  
Mike Saviage  
Sr. Director, Investor Relations  
408 536.4416  
ir@adobe.com

Public Relations:  
Kevin Burr  
VP, Corporate Communications  
408 536.3021  
kburr@adobe.com

**For Immediate Release**

## **Adobe Systems Reports Record Fourth Quarter and Fiscal 2000 Results**

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**Company Achieves 26 Percent Year-Over-Year Revenue Growth and 51 Percent Operating Profit Growth in Fourth Quarter**

San Jose, Calif., (December 14, 2000) (NASDAQ:ADBE) — Adobe Systems Incorporated today reported financial results for its fourth quarter and fiscal year ended December 1, 2000, including record revenue and operating profit.

For the fourth quarter, Adobe achieved record revenue of \$355.2 million, compared to \$281.8 million reported for the fourth quarter of fiscal 1999 and \$328.9 million reported in the third quarter of fiscal 2000. This represents 26 percent year-over-year growth, and is the sixth consecutive quarter in which Adobe has achieved record revenue results.

In fiscal 2000, Adobe achieved record revenue of \$1.266 billion, compared to \$1.015 billion in fiscal 1999. This represents 25 percent year-over-year growth.

“This has been a phenomenal year,” said John E. Warnock, chairman and chief technology officer of Adobe. “Based on every measure, Adobe today is in the best position in its history. The market opportunities are well aligned with Adobe’s strengths.”

Net income, which includes non-operating gains and losses, was \$79.2 million for the fourth quarter of fiscal 2000, compared to \$97.4 million reported in the fourth quarter of fiscal 1999, and \$78.3 million in the third quarter of fiscal 2000. Annual net income grew to a record \$287.8 million in fiscal 2000, compared to \$237.8 million in fiscal 1999.

Diluted earnings per share for the fourth quarter of fiscal 2000 were \$0.31 based on 257.3 million weighted average shares. This compares with diluted earnings per share of \$0.38 reported in the fourth quarter of fiscal 1999, based on 254.8 million weighted average shares, and diluted earnings per share of \$0.31 reported in the third quarter of fiscal 2000, based on 255.8 million weighted average shares.

Excluding investment gains and losses from the Company's venture programs, the amortization of goodwill, and the write-off of in-process research and development, diluted earnings per share for the fourth quarter of fiscal 2000 were \$0.34.

Excluding the amortization of goodwill, restructuring and other charges, and the write-off of in-process research and development, Adobe's operating profit was a record \$127.5 million in the fourth quarter of fiscal 2000, compared to \$90.0 million in the fourth quarter of fiscal 1999 and \$107.1 million in the third quarter of fiscal 2000. This represents 42 percent year-over-year operating profit growth. As a percent of revenue, operating profit for the fourth quarter was 35.9 percent, compared to 32.0 percent in the fourth quarter of fiscal 1999 and 32.6 percent in the third quarter of fiscal 2000.

Adobe also reaffirmed previous revenue growth and operating model targets for fiscal 2001. "As we look toward 2001, we have been evaluating the overall IT market conditions around the world," said Bruce Chizen, CEO and President. "Despite some reports of an industry slowdown, we continue to see strong growth in the Network Publishing economy – principally driven by the Internet. We are confident we can grow our revenue at least 25 percent in the first quarter and for the full year."

In fiscal 2001, the Company continues to target gross margin of 93 percent and operating profit of 32 percent. In addition, the Company is targeting approximately \$5 million per quarter of other income, and an increase of approximately 3 to 4 million average shares per quarter in fiscal 2001.

For the first quarter of fiscal 2001, the Company indicated that it expects research and development expense to be approximately 18 percent of revenue, and sales and marketing expense to be approximately 34 percent of revenue. For the remainder of fiscal 2001, expense targets as a percent of revenue are as follows: research and development 19 percent; sales and marketing 33 percent; and general and administrative 9 percent.

The Adobe Board of Directors declared this quarter's cash dividend of \$0.0125 per share, payable on January 18, 2001 to stockholders of record as of January 4, 2001.

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; declines in the average selling price of the Company's products; industry transitions to new distribution, business and information delivery models; ongoing weakness in the Company's printing business due to product transitions; 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**

Adobe Systems Incorporated ([www.adobe.com](http://www.adobe.com)) builds award winning software solutions for Network Publishing, including Web, print, video, wireless and broadband applications. Its graphic design, imaging, dynamic media and authoring tools enable customers to create, manage and deliver visually-rich, reliable content. The company is headquartered in San Jose, Calif.

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>(Unaudited) December 1 2000</u>	<u>(Unaudited) December 3 1999</u>	<u>(Audited) December 1 2000</u>	<u>(Audited) December 3 1999</u>
Revenue	\$ 355,194	\$ 281,770	\$ 1,266,378	\$ 1,015,434
Direct costs	<u>22,261</u>	<u>24,070</u>	<u>87,255</u>	<u>94,540</u>
Gross margin	<u>332,933</u>	<u>257,700</u>	<u>1,179,123</u>	<u>920,894</u>
Operating expenses:				
Research and development	60,270	57,007	240,212	197,476
Sales and marketing	113,174	85,707	401,188	328,505
General and administrative	31,947	24,976	116,528	103,622
Restructuring and other charges	—	3,271	5,629	23,028
Amortization of goodwill and purchased intangibles	3,380	1,231	7,013	4,830
Acquired in-process research and development	<u>470</u>	<u>3,580</u>	<u>470</u>	<u>3,580</u>
Total operating expenses	<u>209,241</u>	<u>175,772</u>	<u>771,040</u>	<u>661,041</u>
Operating income	<u>123,692</u>	<u>81,928</u>	<u>408,083</u>	<u>259,853</u>
Nonoperating income, net:				
Investment gain (loss)	(7,417)	61,745	14,345	88,891
Interest and other income	<u>6,510</u>	<u>9,619</u>	<u>21,311</u>	<u>25,683</u>
Total nonoperating income (loss), net	<u>(907)</u>	<u>71,364</u>	<u>35,656</u>	<u>114,574</u>
Income before income taxes	122,785	153,292	443,739	374,427
Provision for income taxes	<u>43,589</u>	<u>55,933</u>	<u>155,931</u>	<u>136,676</u>
Net income	<u>\$ 79,196</u>	<u>\$ 97,359</u>	<u>\$ 287,808</u>	<u>\$ 237,751</u>
Basic net income per share	<u>\$ 0.33</u>	<u>\$ 0.41</u>	<u>\$ 1.21</u>	<u>\$ 0.98</u>
Shares used in computing basic net income per share	<u>239,640</u>	<u>238,340</u>	<u>238,292</u>	<u>241,572</u>
Diluted net income per share	<u>\$ 0.31</u>	<u>\$ 0.38</u>	<u>\$ 1.13</u>	<u>\$ 0.92</u>
Shares used in computing diluted net income per share	<u>257,294</u>	<u>254,812</u>	<u>255,774</u>	<u>258,410</u>

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

	<b>(Audited)</b> <b>December 1</b> <b>2000</b>	<b>(Audited)</b> <b>December 3</b> <b>1999</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 236,866	\$ 171,145
Short-term investments	442,987	327,571
Trade receivables	140,514	68,371
Other receivables	19,599	10,395
Deferred income taxes	23,460	36,185
Other current assets	<u>14,486</u>	<u>9,348</u>
Total current assets	877,912	623,015
Property and equipment	64,268	69,138
Other assets	<u>127,236</u>	<u>111,706</u>
Total assets	<u>\$ 1,069,416</u>	<u>\$ 803,859</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 40,280	\$ 35,692
Accrued expenses	181,861	150,902
Accrued restructuring charges	—	8,675
Income taxes payable	74,768	56,684
Deferred revenue	<u>17,696</u>	<u>15,676</u>
Total current liabilities	<u>314,605</u>	<u>267,629</u>
Deferred income taxes	<u>2,267</u>	<u>24,021</u>
Stockholders' equity:		
Common stock, \$0.0001 par value, and additional paid-in capital	530,801	369,057
Retained earnings	1,172,504	896,239
Accumulated other comprehensive income	(698)	40,332
Treasury stock at cost, net of reissuances	<u>(950,063)</u>	<u>(793,419)</u>
Total stockholders' equity	<u>752,544</u>	<u>512,209</u>
Total liabilities and stockholders' equity	<u>\$ 1,069,416</u>	<u>\$ 803,859</u>