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**For Immediate Release**

## **Adobe Systems Reports First Quarter Results**

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### **Company Exceeds Original Operating Profit Target With Solid Revenue Growth**

San Jose, Calif., (March 15, 2001) (NASDAQ:ADBE) — Adobe Systems Incorporated today reported financial results for its first quarter ended March 2, 2001.

In the first quarter of fiscal 2001, Adobe achieved revenue of \$329 million, compared to \$282.2 million reported for the first quarter of fiscal 2000 and \$355.2 million reported in the fourth quarter of fiscal 2000. This represents 17 percent year over year revenue growth, with application revenue growth of 20 percent.

Pro forma diluted earnings per share for the first quarter of fiscal 2001, which excludes non-operating gains and losses, were \$0.33. This exceeds the original operating profit target the Company gave on December 14, 2000.

“We are pleased to report excellent year over year pro forma operating profit growth of 33 percent and solid year over year revenue growth of 17 percent in a difficult economic environment,” said Bruce R. Chizen, president and chief executive officer of Adobe.

“Although we are disappointed in not meeting our original revenue target, we did demonstrate our ability to proactively manage our business,” added Chizen.

Net income, which includes non-operating gains and losses, was \$69.8 million for the first quarter of fiscal 2001, compared to \$64.6 million reported in the first quarter of fiscal 2000, and \$79.2 million in the fourth quarter of fiscal 2000.

Including non-operating gains and losses, diluted earnings per share for the first quarter of fiscal 2001 were \$0.28 based on 253.6 million weighted average shares. This compares with diluted earnings per share of \$0.26 reported in the first quarter of fiscal 2000, based on 253 million weighted average shares, and diluted earnings per share of \$0.31 reported in the fourth quarter of fiscal 2000, based on 257.3 million weighted average shares.

Excluding the amortization of goodwill, restructuring and other charges, and the write-off of in-process research and development, Adobe's operating profit was \$119.0 million in the first quarter of fiscal 2001, compared to \$89.5 million in the first quarter of fiscal 2000 and \$127.5 million in the fourth quarter of fiscal 2000. This represents 33 percent year-over-year operating profit growth. As a percent of revenue, operating profit for the first quarter was 36.2 percent, compared to 31.7 percent in the first quarter of fiscal 2000 and 35.9 percent in the fourth quarter of fiscal 2000.

Adobe also announced that, due to the challenging and uncertain economic environment, it is adjusting its fiscal 2001 operating model targets. The Company is lowering its second quarter fiscal 2001 year-over-year revenue growth target to approximately 15 percent and is not providing second half fiscal 2001 revenue targets.

Regarding the second half of fiscal 2001, Chizen stated, "As we look out further, economic conditions become more challenging to gauge. Although we do not currently see a major slowdown in our business in Europe and Japan, the potential for a global slowdown causes us to defer providing updated second half targets until we have better visibility. Notwithstanding the economic environment, we will continue to focus on operational excellence."

For the remainder of fiscal year 2001, the Company is targeting gross margin of 93 percent and an operating margin of 31 percent. As a percent of revenue, Adobe is targeting expenses by category as follows:

Research & Development – approximately 19 to 20 percent

Sales & Marketing – approximately 33 to 34 percent

General & Administrative – approximately 9 percent

In addition, Adobe is targeting its share count range to be between 254 to 256 million shares in the second and third quarters of fiscal 2001, and between 257 to 259 million

shares in the fourth quarter of fiscal 2001. The Company is also targeting other income to be approximately \$4 million per quarter and a tax rate of 33 percent for the remainder of the fiscal year.

The Adobe Board of Directors declared this quarter's cash dividend of \$0.0125 per share, payable on April 9, 2001 to stockholders of record as of March 26, 2001. The Board also authorized a new 5 million share repurchase program.

Adobe also announced today that it is promoting Shantanu Narayen to the position of Executive Vice President of Worldwide Product Marketing and Development. In this role, he will be in charge of product engineering and marketing for all of Adobe's products, and will work to drive development and execution efforts around Adobe's Network Publishing vision.

As former senior vice president of worldwide product development, Narayen has successfully overseen all worldwide product research and development for Adobe's award-winning products for more than two years. Narayen was previously vice president of engineering for Adobe's layout technologies, and helped grow the Adobe India development center. Prior to Adobe, Narayen co-founded Pictra Inc., was director of desktop and collaboration products at Silicon Graphics Inc., and held various senior management positions at Apple Computer Inc.

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; adverse changes in economic conditions in any of the major countries in which the Company does business, including the recent slow-down affecting the United States and other geographic areas; weakness in demand for application software and printers; introduction of new products by major competitors; declines in the average selling prices of the Company's products; industry transitions to new distribution, business and information delivery models; and ongoing weakness in the Company's printing business due to product transitions. For further discussion of the risks and uncertainties, individuals should refer to the Company's SEC filings, including the 2000 annual report on Form 10-K and quarterly reports on Form 10-Q filed by the Company in 2000 and 2001.

## About Adobe Systems Incorporated

Founded in 1982, 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.

Headquartered in San Jose, Calif., Adobe is the second largest PC software company in the U.S., with annual revenues exceeding \$1.2 billion.

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

	<b>Three Months Ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>March 2</b>	<b>March 3</b>
	<b>2001</b>	<b>2000</b>
Revenue	\$ 328,969	\$ 282,232
Direct costs	<u>20,016</u>	<u>20,722</u>
Gross profit	<u>308,953</u>	<u>261,510</u>
Operating expenses:		
Research and development	55,687	57,458
Sales and marketing	103,860	87,760
General and administrative	30,370	26,757
Restructuring and other charges	—	(672)
Amortization of goodwill and purchased intangibles	<u>3,582</u>	<u>1,203</u>
Total operating expenses	<u>193,499</u>	<u>172,506</u>
Operating income	<u>115,454</u>	<u>89,004</u>
Nonoperating income (loss), net:		
Investment gain (loss)	(17,038)	4,676
Interest and other income	<u>5,697</u>	<u>5,651</u>
Total nonoperating income (loss), net	<u>(11,341)</u>	<u>10,327</u>
Income before income taxes	104,113	99,331
Income tax provision	<u>34,357</u>	<u>34,766</u>
Net income	<u>\$ 69,756</u>	<u>\$ 64,565</u>
Basic net income per share	<u>\$ 0.29</u>	<u>\$ 0.27</u>
Shares used in computing basic net income per share	<u>240,078</u>	<u>237,256</u>
Diluted net income per share	<u>\$ 0.28</u>	<u>\$ 0.26</u>
Shares used in computing diluted net income per share	<u>253,609</u>	<u>252,978</u>

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

	<b>(Unaudited)</b> <b>March 2</b>	<b>(Audited)</b> <b>December 1</b>
	<b>2001</b>	<b>2000</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 176,262	\$ 236,866
Short-term investments	443,957	442,987
Trade receivables	149,288	140,514
Other receivables	25,614	19,599
Deferred income taxes	26,215	23,460
Other current assets	<u>24,039</u>	<u>14,486</u>
Total current assets	845,375	877,912
Property and equipment	67,147	64,268
Other assets	<u>122,113</u>	<u>127,236</u>
Total assets	<u>\$ 1,034,635</u>	<u>\$ 1,069,416</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 38,694	\$ 40,280
Accrued expenses	143,811	181,861
Income taxes payable	87,227	74,768
Deferred revenue	<u>18,021</u>	<u>17,696</u>
Total current liabilities	<u>287,753</u>	<u>314,605</u>
Deferred income taxes	<u>4,145</u>	<u>2,267</u>
Stockholders' equity:		
Common stock, \$0.0001 par value, and additional paid-in capital	557,865	530,801
Retained earnings	1,239,240	1,172,504
Accumulated other comprehensive loss	(4,004)	(698)
Treasury stock at cost, net of reissuances	<u>(1,050,364)</u>	<u>(950,063)</u>
Total stockholders' equity	<u>742,737</u>	<u>752,544</u>
Total liabilities and stockholders' equity	<u>\$ 1,034,635</u>	<u>\$ 1,069,416</u>