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**For Immediate Release**

## **Adobe Systems Reports Strong Q2 Fiscal 2001 Earnings**

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### **Achieves 15 Percent Revenue and 25 Percent Operating Profit Growth**

San Jose, Calif., (June 14, 2001) (NASDAQ:ADBE) — Adobe Systems Incorporated today reported financial results for its second quarter ended June 1, 2001.

In the second quarter of fiscal 2001, Adobe achieved revenue of \$344.1 million, compared to \$300.1 million reported for the second quarter of fiscal 2000 and \$329 million reported in the first quarter of fiscal 2001. This represents 15 percent year-over-year revenue growth, with application revenue growth of 19 percent.

Pro forma diluted earnings per share for the second quarter of fiscal 2001, excluding non-operating gains and losses, were \$0.34.

“Given the tough economic environment, I am extremely pleased with Adobe’s financial results in the quarter,” said Bruce R. Chizen, president and chief executive officer of Adobe. “Record revenue for Adobe® Acrobat® 5.0, resulting in 67 percent year-over-year growth in our ePaper® Solutions segment, combined with our continued focus on operational excellence, drove another quarter of solid performance.”

Net income, which includes non-operating gains and losses, was \$61.3 million for the second quarter of fiscal 2001, compared to \$65.8 million reported in the second quarter of fiscal 2000, and \$69.8 million in the first quarter of fiscal 2001.

Including non-operating gains and losses, diluted earnings per share for the second quarter of fiscal 2001 were \$0.25 based on 250.1 million weighted average shares. This compares with diluted earnings per share of \$0.26 reported in the second quarter of fiscal 2000, based on 255.3 million weighted average shares, and diluted earnings per share of \$0.28 reported in the first quarter of fiscal 2001, based on 253.6 million weighted average shares.

Excluding the amortization of goodwill and restructuring and other charges, Adobe's operating profit was \$121.5 million in the second quarter of fiscal 2001, compared to \$97 million in the second quarter of fiscal 2000 and \$119 million in the first quarter of fiscal 2001. This represents 25 percent year-over-year operating profit growth. As a percent of revenue, operating profit for the second quarter was 35.3 percent, compared to 32.3 percent in the second quarter of fiscal 2000 and 36.2 percent in the first quarter of fiscal 2001.

“In Q2, we saw weakness in North America and Europe and we expect this to continue in Q3. Additionally, we are factoring in a potential slowdown in Asia,” stated Murray J. Demo, senior vice president and chief financial officer of Adobe. “Because of continued economic uncertainty, as well as a tough year-over-year compare, we are expecting our Q3 fiscal 2001 year-over-year revenue will be approximately flat.”

“Looking to Q4, although our visibility remains low, we believe our year-over-year revenue growth will improve as we enter a new major product upgrade cycle,” added Demo.

For both the third and fourth quarters of fiscal 2001, the Company announced that it continues to target a gross margin of 93 percent and an operating margin of 31 percent. As a percent of revenue, Adobe continues to target 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 252 and 254 million shares in third quarter of fiscal 2001, and between 254 and 256 million shares in the fourth quarter of fiscal 2001.

The Company continues to target 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 July 9, 2001 to stockholders of record as of June 26, 2001.

Adobe also announced that it has signed an agreement to settle a securities class action lawsuit brought against the Company and a number of present and former officers and directors in connection with Adobe's acquisition of Frame Technology. The suit was filed on February 6, 1996 in superior court in San Jose, Calif.

"We are delighted with this outcome," said Chizen. "It has no material impact on Adobe's financial results and it concludes a matter that has been pending for more than five years."

The settlement amount will be paid in full by insurance, and Adobe and its insurers will split the defense costs. The settlement is subject to approval by the court, and further terms of it are confidential.

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, Europe and potentially 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 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>Six Months Ended</b>	
	<b>(Unaudited)</b> <b>June 1</b> <b>2001</b>	<b>(Unaudited)</b> <b>June 2</b> <b>2000</b>	<b>(Unaudited)</b> <b>June 1</b> <b>2001</b>	<b>(Unaudited)</b> <b>June 2</b> <b>2000</b>
Revenue	\$ 344,093	\$ 300,085	\$ 673,062	\$ 582,317
Direct costs	<u>22,359</u>	<u>20,604</u>	<u>42,375</u>	<u>41,326</u>
Gross profit	<u>321,734</u>	<u>279,481</u>	<u>630,687</u>	<u>540,991</u>
Operating expenses:				
Research and development	59,597	60,912	115,284	118,370
Sales and marketing	109,582	93,622	213,442	181,382
General and administrative	31,075	27,920	61,445	54,677
Restructuring and other charges	—	6,301	—	5,629
Amortization of goodwill and purchased intangibles	<u>3,581</u>	<u>1,215</u>	<u>7,163</u>	<u>2,418</u>
Total operating expenses	<u>203,835</u>	<u>189,970</u>	<u>397,334</u>	<u>362,476</u>
Operating income	<u>117,899</u>	<u>89,511</u>	<u>233,353</u>	<u>178,515</u>
Nonoperating income, net:				
Investment gain (loss)	(31,031)	7,691	(48,069)	12,367
Interest and other income	<u>4,632</u>	<u>3,993</u>	<u>10,329</u>	<u>9,644</u>
Total nonoperating income (loss), net	<u>(26,399)</u>	<u>11,684</u>	<u>(37,740)</u>	<u>22,011</u>
Income before income taxes	91,500	101,195	195,613	200,526
Provision for income taxes	<u>30,195</u>	<u>35,418</u>	<u>64,552</u>	<u>70,184</u>
Net income	<u>\$ 61,305</u>	<u>\$ 65,777</u>	<u>\$ 131,061</u>	<u>\$ 130,342</u>
Basic net income per share	<u>\$ .26</u>	<u>\$ .28</u>	<u>\$ .55</u>	<u>\$ 0.55</u>
Shares used in computing basic net income per share	<u>238,163</u>	<u>237,516</u>	<u>239,212</u>	<u>237,146</u>
Diluted net income per share	<u>\$ .25</u>	<u>\$ .26</u>	<u>\$ .52</u>	<u>\$ 0.51</u>
Shares used in computing diluted net income per share	<u>250,127</u>	<u>255,348</u>	<u>252,115</u>	<u>254,712</u>

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

	<b>(Unaudited)</b> <b>June 1</b> <b>2001</b>	<b>(Audited)</b> <b>December 1</b> <b>2000</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 209,734	\$ 236,866
Short-term investments	378,436	442,987
Receivables	148,152	140,514
Other receivables	18,384	19,599
Deferred income taxes	22,261	23,460
Other current assets	<u>27,005</u>	<u>14,486</u>
Total current assets	803,972	877,912
Property and equipment	74,303	64,268
Other assets	113,295	127,236
Deferred income taxes, long-term	<u>5,458</u>	<u>—</u>
Total assets	<u>\$ 997,028</u>	<u>\$ 1,069,416</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 31,326	\$ 40,280
Accrued expenses	150,809	181,861
Income taxes payable	114,331	74,768
Deferred revenue	<u>17,588</u>	<u>17,696</u>
Total current liabilities	<u>314,054</u>	<u>314,605</u>
Deferred income taxes	<u>—</u>	<u>2,267</u>
Stockholders' equity:		
Common stock, \$0.0001 par value, and additional paid-in capital	571,419	530,801
Retained earnings	1,297,564	1,172,504
Accumulated other comprehensive income	6,541	(698)
Treasury stock at cost, net of reissuances	<u>(1,192,550)</u>	<u>(950,063)</u>
Total stockholders' equity	<u>682,974</u>	<u>752,544</u>
Total liabilities and stockholders' equity	<u>\$ 997,028</u>	<u>\$ 1,069,416</u>