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## **FOR IMMEDIATE RELEASE**

# **Adobe Systems Reports Fourth Quarter and Fiscal 2001 Results**

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## **Adobe Acrobat Business Grows 41 Percent in Fiscal 2001**

SAN JOSE, Calif. — December 13, 2001 (NASDAQ: ADBE) — Adobe Systems Incorporated today reported financial results for its fourth quarter and fiscal year ended November 30, 2001.

For the fourth quarter of fiscal 2001 Adobe achieved revenue of \$264.5 million, compared to \$355.2 million reported for the fourth quarter of fiscal 2000 and \$292.1 million reported in the third quarter of fiscal 2001.

In fiscal 2001, Adobe achieved revenue of \$1.230 billion, compared to \$1.266 billion in fiscal 2000.

“Despite ongoing weakness in the global economy, Adobe continues to generate outstanding profit margins. In fiscal 2001, Adobe delivered a pro forma operating margin of 33 percent for the year,” said Bruce R. Chizen, president and chief executive officer of Adobe.

During the fiscal year, Adobe achieved 41 percent annual growth in its Adobe® Acrobat® business. Commenting on Adobe’s future growth opportunities, Chizen added, “Adobe is driving the transformation from paper-based processes to electronic workflows.”

Pro forma diluted earnings per share for the fourth quarter of fiscal 2001, which excludes restructuring and other charges, amortization of goodwill and purchased intangibles, and investment gains and losses, were \$0.20.

Net income, which includes non-operating gains and losses, was \$34.3 million for the fourth quarter of fiscal 2001, compared to \$79.2 million reported in the fourth quarter of fiscal 2000, and \$40.3 million in the third quarter of fiscal 2001. Annual net income was \$205.6 million in fiscal 2001, compared to \$287.8 million in fiscal 2000.

Including non-operating gains and losses, diluted earnings per share for the fourth quarter of fiscal 2001 were \$0.14 based on 243.4 million weighted average shares. This compares with diluted earnings per share of \$0.31 reported in the fourth quarter of fiscal 2000, based on 257.3 million weighted average shares, and

diluted earnings per share of \$0.16 reported in the third quarter of fiscal 2001, based on 248.6 million weighted average shares.

Excluding restructuring and other charges, the amortization of goodwill and purchased intangibles, and acquired in-process research and development, Adobe's pro forma operating profit was \$67.9 million in the fourth quarter of fiscal 2001, compared to \$127.5 million in the fourth quarter of fiscal 2000 and \$96.4 million in the third quarter of fiscal 2001. As a percent of revenue, pro forma operating profit for the fourth quarter was 25.7 percent, compared to 35.9 percent in the fourth quarter of fiscal 2000 and 33 percent in the third quarter of fiscal 2001.

During the fourth quarter, Adobe implemented a restructuring that resulted in a worldwide reduction in force of 247 employees. A restructuring charge of \$12.1 million was taken in the fourth quarter as part of this program for employee severance and related benefits.

For the first quarter of fiscal 2002, the Company also announced that it is targeting revenue of \$265 million to \$280 million, a gross margin of 92 to 93 percent, and an operating margin of between 25 to 28 percent. As a percent of revenue, Adobe said it is targeting expenses by category as follows:

Research & Development – approximately 20 to 21 percent

Sales & Marketing – approximately 34 to 35 percent

General & Administrative – approximately 10 to 11 percent

In addition, Adobe is targeting its share count range to be between 245 and 246 million shares in the first quarter of fiscal 2002. The Company also is targeting other income to be approximately \$4 million in the first quarter, and a tax rate of 32 percent.

These targets lead to a pro forma earnings per share target range in Q1 fiscal 2002 of \$0.20 to \$0.22 per share.

For fiscal 2002, the Company also stated that its economic assumptions, and annual revenue and operating targets remain unchanged from October 30, 2001.

The Adobe Board of Directors declared this quarter's cash dividend of \$0.0125 per share, payable on January 17, 2002 to stockholders of record as of January 3, 2002.

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: adverse changes in general economic conditions in any of the major countries in which the Company does business, including the recent slow-down affecting the United States, Europe, Japan, and potentially other geographic areas; continuing adverse economic impact of the recent national tragedy on September 11, 2001; delays in shipment of our new products and major new versions of existing products; corporate reductions in marketing expenditures which may result in lower demand for

professional content creation and layout products; lack of market acceptance of new products and upgrades; introduction of new products by major competitors; weakness in demand for application software and printers; lack of growth in worldwide personal computer and printer sales and downward sales price adjustments; renegotiation of royalty arrangements; consolidation in the OEM printer business; ongoing weakness in our printer business due to product transitions; industry transitions to new business and information delivery models; and market risk associated with our equity investments. 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, ePaper, 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)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>(Unaudited)</u> <u>November 30</u> <u>2001</u>	<u>(Unaudited)</u> <u>December 1</u> <u>2000</u>	<u>(Audited)</u> <u>November 30</u> <u>2001</u>	<u>(Audited)</u> <u>December 1</u> <u>2000</u>
Revenue	\$ 264,540	\$ 355,194	\$ 1,229,720	\$ 1,266,378
Direct costs	19,035	22,261	81,451	87,255
Gross profit	245,505	332,933	1,148,269	1,179,123
Operating expenses:				
Research and development	54,649	60,270	224,122	240,212
Sales and marketing	94,831	113,174	403,720	401,188
General and administrative	28,151	31,947	115,626	116,528
Restructuring and other charges	12,063	—	12,063	5,629
Amortization of goodwill and purchased intangibles	3,550	3,380	14,281	7,013
Acquired in-process research & development	—	470	—	470
Total operating expenses	193,244	209,241	769,812	771,040
Operating income	52,261	123,692	378,457	408,083
Nonoperating income, net:				
Investment gain (loss)	(5,898)	(7,417)	(93,414)	14,345
Interest and other income	4,815	6,510	21,888	21,311
Total nonoperating income (loss), net	(1,083)	(907)	(71,526)	35,656
Income before income taxes	51,178	122,785	306,931	443,739
Provision for income taxes	16,889	43,589	101,287	155,931
Net income	\$ 34,289	\$ 79,196	\$ 205,644	\$ 287,808
Basic net income per share	\$ .15	\$ .33	\$ .86	\$ 1.21
Shares used in computing basic net income per share	236,361	239,640	238,461	238,292
Diluted net income per share	\$ .14	\$ .31	\$ .83	\$ 1.13
Shares used in computing diluted net income per share	243,411	257,294	249,145	255,774

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

	<b>(Audited)</b> <b>November 30</b>	<b>(Audited)</b> <b>December 1</b>
	<b>2001</b>	<b>2000</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 218,662	\$ 236,866
Short-term investments	362,951	442,987
Trade receivables	124,106	140,514
Other receivables	18,299	19,599
Deferred income taxes	22,726	23,460
Other current assets	<u>20,620</u>	<u>14,486</u>
Total current assets	767,364	877,912
Property and equipment	80,993	64,268
Other assets	70,672	127,236
Deferred income taxes, long-term	<u>11,594</u>	<u>—</u>
Total assets	<u>\$ 930,623</u>	<u>\$ 1,069,416</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 30,891	\$ 40,280
Accrued liabilities	119,258	181,861
Accrued restructuring charges	9,573	—
Income taxes payable	132,228	74,768
Deferred revenue	<u>21,701</u>	<u>17,696</u>
Total current liabilities	<u>313,651</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	625,386	530,801
Retained earnings	1,366,205	1,172,504
Accumulated other comprehensive income (loss)	3,918	(698)
Treasury stock at cost, net of reissuances	<u>(1,378,537)</u>	<u>(950,063)</u>
Total stockholders' equity	<u>616,972</u>	<u>752,544</u>
Total liabilities and stockholders' equity	<u>\$ 930,623</u>	<u>\$ 1,069,416</u>

**PRO FORMA RESULTS**  
**(In thousands, except per share data)**

The following table shows the Company's pro forma results reconciled to the Generally Accepted Accounting Principles ("GAAP") Consolidated Statements of Income table included on page 4 of this release. The Company's pro forma results do not include unusual or non-recurring events or transactions, amortization of goodwill and purchased intangibles, or gains and losses on investments in equity securities.

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>November 30</u> <u>2001</u>	<u>December 1</u> <u>2000</u>	<u>November 30</u> <u>2001</u>	<u>December 1</u> <u>2000</u>
GAAP income before income taxes	\$ 51,178	\$ 122,785	\$ 306,931	\$ 443,739
Restructuring and other charges	12,063	—	12,063	5,629
Amortization of goodwill and purchased intangibles	3,550	3,380	14,281	7,013
Acquired in-process research and development	—	470	—	470
One time gain from sale of assets	—	—	—	(2,718)
Investment gain/loss	<u>5,898</u>	<u>7,417</u>	<u>93,414</u>	<u>(14,345)</u>
Pro forma income before income taxes	72,689	134,052	426,689	439,788
Income tax provision	<u>23,987</u>	<u>47,588</u>	<u>140,807</u>	<u>154,542</u>
Pro forma net income	<u>48,702</u>	<u>86,464</u>	<u>285,882</u>	<u>285,246</u>
Basic pro forma net income per share	<u>\$ .21</u>	<u>\$ .36</u>	<u>\$ 1.20</u>	<u>\$ 1.20</u>
Shares used in computing basic net income per share	<u>236,361</u>	<u>239,640</u>	<u>238,461</u>	<u>238,292</u>
Diluted pro forma net income per share	<u>\$ .20</u>	<u>\$ .34</u>	<u>\$ 1.15</u>	<u>\$ 1.12</u>
Shares used in computing diluted net income per share	<u>243,411</u>	<u>257,294</u>	<u>249,145</u>	<u>255,774</u>

The above results do not reflect GAAP, but are supplied to provide a meaningful operating comparison to results for the same period the prior year.