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FOR IMMEDIATE RELEASE

Adobe Systems Reports Third Quarter Fiscal 2002 Results

Company Meets Revised Revenue and Earnings Targets; Sees Growth in Fourth Quarter

SAN JOSE, Calif. — September 12, 2002 (NASDAQ: ADBE) — Adobe Systems Incorporated, the leader in network publishing, today reported that its financial results for the third quarter ended August 30, 2002 met its revised revenue and earnings target ranges.

In the third quarter of fiscal 2002, Adobe achieved revenue of 284.9 million, compared to \$292.1 million reported for the third quarter of fiscal 2001 and \$317.4 million reported in the second quarter of fiscal 2002. Adobe's revised third quarter revenue target range was between \$270 and \$290 million.

Pro forma diluted earnings per share for the third quarter of fiscal 2002, which does not include amortization of goodwill and purchased intangibles, and investment gains and losses, were \$0.22. Adobe's revised third quarter pro forma earnings target range was between \$0.18 and \$0.23 per share.

"I am pleased that Adobe is reporting revenue and earnings at the high end of our revised third quarter targets," said Bruce R. Chizen, president and chief executive officer of Adobe. "I am also encouraged that despite a challenging economic environment, we are planning for growth in Q4."

GAAP net income was \$47.2 million for the third quarter of fiscal 2002, compared to \$40.3 million reported in the third quarter of fiscal 2001, and \$54.3 million in the second quarter of fiscal 2002. Pro forma net income, which does not include restructuring and other charges, acquired in-process research and development, amortization of goodwill and purchased intangibles, and investment gains and losses, was \$52.5 million for the third quarter of fiscal 2002, compared to \$69.1 million in the third quarter of fiscal 2001, and \$67.4 million in the second quarter of fiscal 2002.

GAAP diluted earnings per share for the third quarter of fiscal 2002 were \$0.19, based on 243.4 million weighted average shares. This compares with diluted earnings per share of \$0.16 reported in the third quarter of fiscal 2001, based on 248.6 million weighted average shares, and diluted earnings per share of \$0.22 reported in the second quarter of fiscal 2002, based on 247.7 million weighted average shares.

Adobe's pro forma operating profit, which does not include restructuring and other charges, acquired in-process research and development, and amortization of goodwill and purchased intangibles, was \$73 million in the third

quarter of fiscal 2002, compared to \$96.4 million in the third quarter of fiscal 2001 and \$96.4 million in the second quarter of fiscal 2002. As a percent of revenue, pro forma operating profit for the third quarter was 25.6 percent, compared to 33 percent in the third quarter of fiscal 2001 and 30.4 percent in the second quarter of fiscal 2002.

For the fourth quarter of fiscal 2002, the Company announced that it is updating its targeted revenue range to \$285 to \$300 million, with a gross margin of 91 percent, and a pro forma operating margin range of 26 to 29 percent.

As a percent of revenue, Adobe is targeting Q4 expenses as follows:

Research & Development – approximately 21 to 22 percent

Sales & Marketing – approximately 32 to 34 percent

General & Administrative – approximately 9 percent

In addition, Adobe is targeting its share count range to be between 240 and 242 million shares in the fourth quarter of fiscal 2002. The Company also is targeting other income to be approximately \$2 million to \$3 million, and a tax rate of 32 percent. These targets lead to a pro forma target range of \$0.21 to \$0.25 per share in the quarter.

The Adobe Board of Directors declared this quarter's cash dividend of \$0.0125 per share, payable on October 8, 2002 to stockholders of record as of September 24, 2002.

Forward-Looking Statements

This press release contains forward-looking statements, including those related to revenue, earnings per share, expenses, tax rate, margins, and profitability, 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; 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; lack of market acceptance of new products and upgrades; delays or problems associated with the integration of acquisitions; 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; changes with respect to intellectual property licensing; litigation; consolidation in the OEM printing business; industry transitions to new business and information delivery models; and market risk associated with our equity investments. For further discussion of these and other risks and uncertainties, individuals should refer to the Company's SEC filings, including the 2001 annual report on Form 10-K and quarterly reports on Form 10-Q filed in 2002. The Company does not undertake an obligation to update forward-looking statements.

About Adobe Systems Incorporated

Founded in 1982, Adobe Systems Incorporated (www.adobe.com), the leader in network publishing, offers a comprehensive line of software for enterprise and creative professional customers. Its products enable customers to create, manage and deliver visually rich, compelling and reliable content. Based in San Jose, Calif., Adobe is one of the world's largest software companies.

Condensed Consolidated Statements Of Income

(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 30 2002	August 31 2001	August 30 2002	August 31 2001
Revenue:				
Products	\$ 280,505	\$ 292,118	\$ 864,655	\$ 965,180
Services and support	4,374	—	5,479	—
Total revenue	<u>284,879</u>	<u>292,118</u>	<u>870,134</u>	<u>965,180</u>
Cost of revenue:				
Products	28,471	20,041	73,303	62,416
Services and support	3,165	—	4,463	—
Total cost of revenue	<u>31,636</u>	<u>20,041</u>	<u>77,766</u>	<u>62,416</u>
Gross profit	<u>253,243</u>	<u>272,077</u>	<u>792,368</u>	<u>902,764</u>
Operating expenses:				
Research and development	59,746	54,189	181,901	169,473
Sales and marketing	93,837	95,447	287,053	308,889
General and administrative	26,649	26,030	81,314	87,475
Restructuring and other charges	—	—	1,605	—
Acquired in-process research and development	—	—	5,769	—
Amortization of goodwill and purchased intangibles	3,541	3,568	10,623	10,731
Total operating expenses	<u>183,773</u>	<u>179,234</u>	<u>568,265</u>	<u>576,568</u>
Operating income	<u>69,470</u>	<u>92,843</u>	<u>224,103</u>	<u>326,196</u>
Nonoperating loss, net:				
Investment loss	(4,198)	(39,447)	(13,393)	(87,516)
Interest and other income	4,141	6,744	11,805	17,073
Total nonoperating loss, net	<u>(57)</u>	<u>(32,703)</u>	<u>(1,588)</u>	<u>(70,443)</u>
Income before income taxes	69,413	60,140	222,515	255,753
Provision for income taxes	<u>22,212</u>	<u>19,846</u>	<u>71,205</u>	<u>84,398</u>
Net income	<u>\$ 47,201</u>	<u>\$ 40,294</u>	<u>\$ 151,310</u>	<u>\$ 171,355</u>
Basic net income per share	<u>\$.20</u>	<u>\$.17</u>	<u>\$.64</u>	<u>\$.72</u>
Shares used in computing basic net income per share	<u>238,010</u>	<u>238,051</u>	<u>237,812</u>	<u>239,110</u>
Diluted net income per share	<u>\$.19</u>	<u>\$.16</u>	<u>\$.62</u>	<u>\$.68</u>
Shares used in computing diluted net income per share	<u>243,375</u>	<u>248,566</u>	<u>245,119</u>	<u>250,844</u>

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

	(Unaudited) August 30 <u>2002</u>	(Audited) November 30 <u>2001</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 141,354	\$ 218,662
Short-term investments	494,877	362,951
Trade receivables	144,909	124,106
Other receivables	27,677	18,299
Deferred income taxes	31,655	22,726
Other current assets	<u>23,197</u>	<u>20,620</u>
Total current assets	863,669	767,364
Property and equipment	69,360	80,993
Goodwill and other intangible assets, net	109,343	36,402
Other assets	39,279	34,270
Deferred income taxes, long-term	<u>23,212</u>	<u>11,594</u>
Total assets	<u>\$ 1,104,863</u>	<u>\$ 930,623</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Trade and other payables	\$ 32,868	\$ 30,891
Accrued expenses	127,979	128,831
Income taxes payable	156,546	132,228
Deferred revenue	<u>27,315</u>	<u>21,701</u>
Total current liabilities	<u>344,708</u>	<u>313,651</u>
Stockholders' equity:		
Common stock, \$0.0001 par value, and additional paid-in capital	736,531	625,386
Retained earnings	1,508,589	1,366,205
Accumulated other comprehensive income (loss)	(7,852)	3,918
Treasury stock at cost, net of reissuances	<u>(1,477,113)</u>	<u>(1,378,537)</u>
Total stockholders' equity	<u>760,155</u>	<u>616,972</u>
Total liabilities and stockholders' equity	<u>\$ 1,104,863</u>	<u>\$ 930,623</u>

Condensed Consolidated Statements Of Cash Flows

(In thousands)
(Unaudited)

	Three Months Ended	
	August 30, 2002	August 31, 2001
Cash flows from operating activities:		
Net income	\$ 47,201	\$ 40,294
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	20,986	13,787
Stock compensation expense	1,216	1,038
Deferred income taxes.....	(10,796)	(17,745)
Provision for losses on receivables.....	(573)	(473)
Tax benefit from employee stock plans.....	995	23,883
Loss on impairment.....	5,545	—
Loss (gain) on sale of equity securities	(70)	38,223
Loss (gain) on equity and cost method investments	2,989	(7,855)
Loss on other-than-temporary declines of equity securities	1,279	9,080
Changes in operating assets and liabilities:		
Receivables.....	(9,277)	(1,289)
Other current assets	(9,868)	(495)
Trade and other payables.....	(844)	(576)
Accrued expenses	(16,500)	(29,285)
Accrued restructuring.....	(6,199)	—
Income taxes payable	23,121	12,124
Deferred revenue.....	1,519	1,759
Net cash provided by operating activities.....	<u>50,724</u>	<u>82,470</u>
Cash flows from investing activities:		
Purchases of short-term investments.....	(186,371)	(75,564)
Maturities and sales of short-term investments	159,240	152,121
Acquisitions of property and equipment.....	(11,423)	(12,809)
Purchases of long-term investments.....	(3,713)	(4,326)
Additions to other assets.....	(3,172)	(1,998)
Proceeds from the sale of equity securities	671	13,734
Net cash (used for) provided by investing activities.....	<u>(44,768)</u>	<u>71,158</u>
Cash flows from financing activities:		
Purchase of treasury stock	(111,080)	(113,965)
Proceeds from exercise of stock options and sale of stock.....	17,570	45,634
Payment of dividends.....	(2,994)	(2,990)
Net cash used for financing activities	<u>(96,504)</u>	<u>(71,321)</u>
Effect of foreign currency exchange rates on cash and cash equivalents	<u>650</u>	<u>778</u>
Net (decrease) increase in cash and cash equivalents	(89,898)	83,085
Cash and cash equivalents at beginning of period	<u>231,252</u>	<u>209,734</u>
Cash and cash equivalents at end of period.....	<u>\$ 141,354</u>	<u>\$ 292,819</u>

Pro Forma Results

(In thousands, except per share data)
(Unaudited)

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 3 of this release. The Company's pro forma results do not include unusual or non-recurring events or transactions, restructuring and other charges, acquired in-process research and development, amortization of goodwill and purchased intangibles, or gains and losses on investments in equity securities.

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>August 30 2002</u>	<u>August 31 2001</u>	<u>August 30 2002</u>	<u>August 31 2001</u>
Income before income taxes	\$ 69,413	\$ 60,140	\$ 222,515	\$ 255,753
Restructuring and other charges	—	—	1,605	—
Acquired in-process research and development	—	—	5,769	—
Amortization of goodwill and purchased intangibles	3,541	3,568	10,623	10,731
Investment loss	4,198	39,447	13,393	87,516
Pro forma income before income taxes	77,152	103,155	253,905	354,000
Income tax provision	24,689	34,041	81,250	116,820
Pro forma net income	52,463	69,114	172,655	237,180
Basic pro forma net income per share	\$.22	\$.29	\$.73	\$.99
Shares used in computing basic net income per share	238,010	238,051	237,812	239,110
Diluted pro forma net income per share	\$.22	\$.28	\$.70	\$.95
Shares used in computing diluted net income per share	243,375	248,566	245,119	250,844

The above results do not reflect GAAP, but are supplied to provide an alternative measure of our operating results.