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Adobe Systems Reports Record Revenue and Profit

Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended	
	March 5, 2004	February 28, 2003
Cash flows from operating activities:		
Net income	\$ 123,035	\$ 54,225
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,438	11,992
Stock compensation expense	184	952
Deferred income taxes	23,110	5,744
Provision for losses on receivables	(2,114)	495
Tax benefit from employee stock option plans	5,124	2,014
Loss on equity and cost method investments	1,083	3,554
Gains on sale of equity securities	—	(771)
(Gain)loss on other-than-temporary declines of equity securities	(51)	3,910
Changes in operating assets and liabilities:		
Receivables	21,166	(12,560)
Other current assets	(4,503)	(2,492)
Trade and other payables	(1,839)	(3,574)
Accrued expenses	11,782	14,410
Accrued restructuring charges	(587)	(4,742)
Income taxes payable	(8,121)	4,891
Deferred revenue	(2,274)	1,299
Net cash provided by operating activities	<u>179,433</u>	<u>79,347</u>
Cash flows from investing activities:		
Purchases of short-term investments	(394,741)	(124,464)
Maturities and sales of short-term investments	255,827	45,568
Acquisitions of property and equipment	(14,444)	(7,490)
Purchases of long-term investments and other assets	(4,135)	(3,516)
Proceeds from sale of equity securities	—	1,764
Net cash used for investing activities	<u>(157,493)</u>	<u>(88,138)</u>
Cash flows from financing activities:		
Purchase of treasury stock	(55,607)	(45,207)
Proceeds from issuance of treasury stock	46,163	13,729
Payment of dividends	(2,986)	(2,887)
Net cash used for financing activities	<u>(12,430)</u>	<u>(34,365)</u>
Effect of foreign currency exchange rates on cash and cash equivalents	332	1,569
Net increase (decrease) in cash and cash equivalents	9,842	(41,587)
Cash and cash equivalents at beginning of period	189,917	183,684
Cash and cash equivalents at end of period	<u>\$ 199,759</u>	<u>\$ 142,097</u>