

Adobe Systems Reports Second Quarter Fiscal 2003 Results

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	<u>Three Months Ended</u>	
	<u>May 30, 2003</u>	<u>May 31, 2002</u>
Cash flows from operating activities:		
Net income	\$ 64,246	\$ 4,301
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,065	15,722
Stock compensation expense	847	1,787
Deferred income taxes	2,033	(9,684)
Provision for losses on receivables	821	922
Tax benefit from employee stock option plans	8,091	12,553
Acquired in process research and development	—	410
Loss on equity and cost method investments	3,626	5,172
Gains on sale of equity securities	(60)	(259)
Loss on other-than-temporary declines of equity securities	—	8,815
Changes in operating assets and liabilities:		
Receivables	(473)	12,071
Other current assets	(4,492)	(2,195)
Trade and other payables	7,115	(9,882)
Accrued expenses	14,077	9,225
Accrued restructuring charges	(2,727)	(2,978)
Income taxes payable	13,328	12,969
Deferred revenue	9,537	(179)
Net cash provided by operating activities	<u>128,034</u>	<u>108,770</u>
Cash flows from investing activities:		
Purchases of short-term investments	(204,997)	(470,119)
Maturities and sales of short-term investments	77,075	393,049
Acquisitions of property and equipment	(11,811)	(7,261)
Purchases of long-term investments	(3,913)	(6,983)
Additions to other assets	(19,694)	(3,326)
Cash received net of cash paid for acquisition	—	7,345
Proceeds from sale of equity securities	537	705
Net cash used for investing activities	<u>(162,803)</u>	<u>(86,590)</u>
Cash flows from financing activities:		
Purchase of treasury stock	(143)	(36,271)
Proceeds from issuance of treasury stock	36,231	26,576
Payment of dividends	(2,898)	(2,972)
Net cash provided by (used for) financing activities	<u>33,190</u>	<u>(12,667)</u>
Effect of foreign currency exchange rates on cash and cash equivalents	1,313	1,039
Net increase (decrease) in cash and cash equivalents	(266)	10,552
Cash and cash equivalents at beginning of period	<u>142,097</u>	<u>220,700</u>
Cash and cash equivalents at end of period	<u>\$ 141,831</u>	<u>\$ 31,252</u>