

Adobe Systems Reports Second Quarter Fiscal 2003 Results

Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	May 30, 2003	May 31, 2002	May 30, 2003	May 31, 2002
Revenue:				
Products	\$ 314,150	\$ 316,254	\$ 604,905	\$ 584,150
Services and support	5,996	1,105	12,136	1,105
Total revenue	<u>320,146</u>	<u>317,359</u>	<u>617,041</u>	<u>585,255</u>
Total cost of revenue:				
Products	20,212	23,835	39,572	44,832
Services and support	3,144	1,298	6,146	1,298
Total cost of revenue	<u>23,356</u>	<u>25,133</u>	<u>45,718</u>	<u>46,130</u>
Gross profit	296,790	292,226	571,323	539,125
Operating Expenses:				
Research and development	69,117	62,858	135,078	122,155
Sales and marketing	105,712	103,898	203,740	193,216
General and administrative	30,500	29,066	60,536	54,665
Restructuring and other charges	—	1,605	—	1,605
Acquired in-process research and development	—	410	—	5,769
Amortization of goodwill and purchased intangibles	—	3,541	—	7,082
Total operating expenses	<u>205,329</u>	<u>201,378</u>	<u>399,354</u>	<u>384,492</u>
Operating income	91,461	90,848	171,969	154,633
Non-operating income:				
Investment loss	(3,566)	(13,728)	(10,258)	(9,195)
Interest and other income	3,885	2,735	7,534	7,664
Total non-operating income (loss)	<u>319</u>	<u>(10,993)</u>	<u>(2,724)</u>	<u>(1,531)</u>
Income before income taxes	91,780	79,855	169,245	153,102
Provision for income taxes	<u>27,534</u>	<u>25,554</u>	<u>50,774</u>	<u>48,993</u>
Net income	<u>\$ 64,246</u>	<u>\$ 54,301</u>	<u>\$ 118,471</u>	<u>\$ 104,109</u>
Basic net income per share	<u>\$ 0.28</u>	<u>\$ 0.23</u>	<u>\$ 0.51</u>	<u>\$ 0.44</u>
Shares used in computing basic net income per share	<u>232,124</u>	<u>238,202</u>	<u>231,649</u>	<u>237,369</u>
Diluted net income per share	<u>\$ 0.27</u>	<u>\$ 0.22</u>	<u>\$ 0.50</u>	<u>\$ 0.42</u>
Shares used in computing diluted net income per share	<u>239,237</u>	<u>247,687</u>	<u>237,420</u>	<u>246,358</u>