

Adobe Systems Reports Strong Third Quarter Fiscal 2003 Results

Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 29, 2003	August 30, 2002	August 29, 2003	August 30, 2002
Revenue:				
Products	\$ 312,633	\$ 280,505	\$ 917,538	\$ 864,655
Services and support	6,489	4,374	18,625	5,479
Total revenue	<u>319,122</u>	<u>284,879</u>	<u>936,163</u>	<u>870,134</u>
Total cost of revenue:				
Products	18,854	28,471	58,426	73,303
Services and support	3,223	3,165	9,369	4,463
Total cost of revenue	<u>22,077</u>	<u>31,636</u>	<u>67,795</u>	<u>77,766</u>
Gross profit	297,045	253,243	868,368	792,368
Operating Expenses:				
Research and development	68,814	59,746	203,892	181,901
Sales and marketing	106,134	93,837	309,874	287,053
General and administrative	30,321	26,649	90,857	81,314
Restructuring and other charges	(439)	—	(439)	1,605
Acquired in-process research and development	—	—	—	5,769
Amortization of goodwill and purchased intangibles	—	3,541	—	10,623
Total operating expenses	<u>204,830</u>	<u>183,773</u>	<u>604,184</u>	<u>568,265</u>
Operating income	92,215	69,470	264,184	224,103
Non-operating income (loss):				
Investment loss	(2,996)	(4,198)	(13,254)	(13,393)
Interest and other income	2,958	4,141	10,492	11,805
Total non-operating loss	<u>(38)</u>	<u>(57)</u>	<u>(2,762)</u>	<u>(1,588)</u>
Income before income taxes	92,177	69,413	261,422	222,515
Provision for income taxes	27,653	22,212	78,427	71,205
Net income	<u>\$ 64,524</u>	<u>\$ 47,201</u>	<u>\$ 182,995</u>	<u>\$ 151,310</u>
Basic net income per share	<u>\$ 0.28</u>	<u>\$ 0.20</u>	<u>\$ 0.79</u>	<u>\$ 0.64</u>
Shares used in computing basic net income per share	<u>233,364</u>	<u>238,010</u>	<u>232,288</u>	<u>237,812</u>
Diluted net income per share	<u>\$ 0.27</u>	<u>\$ 0.19</u>	<u>\$ 0.77</u>	<u>\$ 0.62</u>
Shares used in computing diluted net income per share	<u>240,495</u>	<u>243,375</u>	<u>238,592</u>	<u>245,119</u>