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**FOR IMMEDIATE RELEASE**

## **Adobe Systems Reports First Quarter Fiscal 2002 Results**

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### **Company Meets Revenue and Earnings Targets; Acrobat®-Based Revenue Grows 20 Percent Year-Over-Year**

SAN JOSE, Calif. — March 14, 2002 (NASDAQ: ADBE) — Adobe Systems Incorporated, the leader in network publishing, today reported financial results for its first quarter ended March 1, 2002.

In the first quarter of fiscal 2002, Adobe achieved revenue of \$267.9 million, compared to \$329.0 million reported for the first quarter of fiscal 2001 and \$264.5 million reported in the fourth quarter of fiscal 2001. Pro forma diluted earnings per share for the first quarter of fiscal 2002, which does not include acquired in-process research and development, amortization of goodwill and purchased intangibles, and investment gains and losses, were \$0.22. Adobe's revenue and pro forma earnings per share results met the Company's original first quarter targets announced in December.

“We had a solid quarter, with Acrobat once again leading the way,” said Bruce R. Chizen, president and chief executive officer of Adobe. “We also made significant progress against our strategy, including the pending acquisition of Accelio Corporation which will give Adobe a leading position in the electronic forms market.”

GAAP net income was \$49.8 million for the first quarter of fiscal 2002, compared to \$69.8 million reported in the first quarter of fiscal 2001, and \$34.3 million in the fourth quarter of fiscal 2001. Pro forma net income, which excludes acquired in-process research and development, restructuring and other charges, amortization of goodwill and purchased intangibles, and investment gains and losses, was \$52.8 million for the first quarter of fiscal 2002, compared to \$83.6 million in the first quarter of fiscal 2001, and \$48.7 million in the fourth quarter of fiscal 2001.

GAAP diluted earnings per share for the first quarter of fiscal 2002 were \$0.20 based on 245.2 million weighted average shares. This compares with diluted earnings per share of \$0.28 reported in the first quarter of fiscal 2001, based on 253.6 million weighted average shares, and diluted earnings per share of \$0.14 reported in the fourth quarter of fiscal 2001, based on 243.4 million weighted average shares.

Excluding the amortization of goodwill and purchased intangibles, the write off of in-process research and development, and restructuring and other charges, Adobe's pro forma operating profit was \$72.7 million in the first quarter of fiscal 2002, compared to \$119.0 million in the first quarter of fiscal 2001 and \$67.9 million in the fourth quarter of fiscal 2001. As a percent of revenue, pro forma operating profit for the first quarter was 27.1 percent, compared to 36.2 percent in the first quarter of fiscal 2001 and 25.7 percent in the fourth quarter of fiscal 2001.

For the second quarter of fiscal 2002, based on the assumptions that there will be no change in global market conditions affecting our customers, and that the Accelio Corporation acquisition will close in April, the Company announced that it is targeting revenue of \$305 to \$325 million, a gross margin of 92 percent, and a pro forma operating margin of 28 to 29 percent. As a percent of revenue, Adobe is targeting expenses as follows:

Research & Development – approximately 19 to 20 percent

Sales & Marketing – approximately 34 to 35 percent

General & Administrative – approximately 9 to 10 percent

In addition, with the impact from the Accelio acquisition, Adobe is targeting its share count range to be between 247 and 249 million shares in the second quarter of fiscal 2002. The Company is also targeting other income to be approximately \$3 million to \$4 million, and a tax rate of 32 percent. These targets lead to a pro forma earnings per share target range in the second quarter fiscal 2002 of \$0.24 to \$0.27 per share.

The Adobe Board of Directors declared this quarter's cash dividend of \$0.0125 per share, payable on April 8, 2002 to stockholders of record as of March 25, 2002.

This press release contains forward-looking statements 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, including the recent slow-down affecting the United States, Europe, Japan, and potentially other geographic areas; continuing adverse economic impact of the recent national tragedy on September 11, 2001; 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 for professional content creation and layout products; 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; renegotiation of royalty arrangements; consolidation in the OEM printing business; ongoing weakness in our printer business due to product transitions; industry transitions to new business and information delivery models; and market risk associated with our equity investments. For further discussion of the 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 to be 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](http://www.adobe.com)) builds award-winning software solutions for network publishing, including Web, ePaper, print, video, wireless and broadband applications. Its graphic design, imaging, dynamic media and authoring tools enable customers to create, manage and deliver visually-rich, reliable content. Headquartered in San Jose, Calif., Adobe is one of largest PC software companies in the world, with annual revenues exceeding \$1.2 billion.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	<b>Three Months Ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>March 1</b>	<b>March 2</b>
	<b>2002</b>	<b>2001</b>
Revenue	\$ 267,896	\$ 328,969
Direct costs	<u>20,997</u>	<u>20,016</u>
Gross profit	<u>246,899</u>	<u>308,953</u>
Operating expenses:		
Research and development	59,297	55,687
Sales and marketing	89,318	103,860
General and administrative	25,599	30,370
Acquired in-process research and development	5,359	—
Amortization of goodwill and purchased intangibles	<u>3,541</u>	<u>3,582</u>
Total operating expenses	<u>183,114</u>	<u>193,499</u>
Operating income	<u>63,785</u>	<u>115,454</u>
Nonoperating income, net:		
Investment gain (loss)	4,533	(17,038)
Interest and other income	<u>4,929</u>	<u>5,697</u>
Total nonoperating income (loss), net	<u>9,462</u>	<u>(11,341)</u>
Income before income taxes	73,247	104,113
Provision for income taxes	<u>23,439</u>	<u>34,357</u>
Net income	<u>\$ 49,808</u>	<u>\$ 69,756</u>
Basic net income per share	<u>\$ .21</u>	<u>\$ .29</u>
Shares used in computing basic net income per share	<u>236,581</u>	<u>240,078</u>
Diluted net income per share	<u>\$ .20</u>	<u>\$ .28</u>
Shares used in computing diluted net income per share	<u>245,245</u>	<u>253,609</u>

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

	<b>(Unaudited) March 1 2002</b>	<b>(Audited) November 30 2001</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 220,700	\$ 218,662
Short-term investments	400,090	362,951
Receivables	143,653	124,106
Other receivables	20,170	18,299
Deferred income taxes	22,299	22,726
Other current assets	<u>19,291</u>	<u>20,620</u>
Total current assets	826,203	767,364
Property and equipment	79,059	80,993
Other assets	72,118	70,672
Deferred income taxes, long-term	<u>12,562</u>	<u>11,594</u>
Total assets	<u>\$ 989,942</u>	<u>\$ 930,623</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 34,443	\$ 30,891
Accrued expenses	118,520	119,258
Accrued restructuring charges	1,673	9,573
Income taxes payable	122,180	132,228
Deferred revenue	<u>23,615</u>	<u>21,701</u>
Total current liabilities	<u>300,431</u>	<u>313,651</u>
Stockholders' equity:		
Common stock, \$0.0001 par value, and additional paid-in capital	649,618	625,386
Retained earnings	1,413,036	1,366,205
Accumulated other comprehensive income (loss)	(1,185)	3,918
Treasury stock at cost, net of reissuances	<u>(1,371,958)</u>	<u>(1,378,537)</u>
Total stockholders' equity	<u>689,511</u>	<u>616,972</u>
Total liabilities and stockholders' equity	<u>\$ 989,942</u>	<u>\$ 930,623</u>

**PRO FORMA RESULTS**

(In thousands, except per share data)

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, acquired in-process research and development, amortization of goodwill and purchased intangibles, or gains and losses on investments in equity securities.

	<b>Three Months Ended</b>	
	<b>March 1</b>	<b>March 2</b>
	<b>2002</b>	<b>2001</b>
Income before income taxes	\$ 73,247	\$ 104,113
Acquired in-process research and development	5,359	—
Amortization of goodwill and purchased intangibles	3,541	3,582
Investment (gain) loss	<u>(4,533)</u>	<u>17,038</u>
Proforma income before income taxes	77,614	124,733
Income tax provision	<u>24,836</u>	<u>41,162</u>
Proforma net income	<u>52,778</u>	<u>83,571</u>
Basic proforma net income per share	<u>\$ .22</u>	<u>\$ .35</u>
Shares used in computing basic net income per share	<u>236,581</u>	<u>240,078</u>
Diluted net income per share	<u>\$ .22</u>	<u>\$ .33</u>
Shares used in computing diluted net income per share	<u>245,245</u>	<u>253,609</u>

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