



*There is nothing
in the world more powerful
than an innovative idea.*

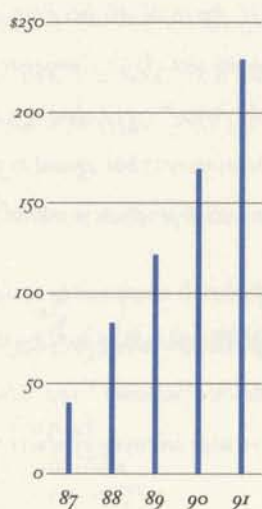
CORPORATE PROFILE

Founded in 1982, Adobe Systems develops, markets and supports computer software products and technologies that enable users to create, display, print and communicate all forms of electronic documents.

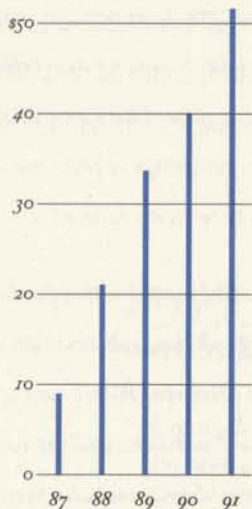
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FISCAL YEAR ENDED (Dollars in thousands, except per share data)	November 29, 1991	November 30, 1990	December 1, 1989	November 30, 1988	November 30, 1987
Revenue	\$229,653	\$168,730	\$121,358	\$83,483	\$39,324
Income before income taxes	83,598	66,291	54,853	35,750	16,892
Net income	51,607	40,070	33,706	21,080	8,982
Net income per share	2.25	1.83	1.55	.98	.43
Cash and short-term investments	116,336	69,664	49,666	35,176	17,444
Working capital	124,671	71,844	43,245	32,525	17,543
Total assets	221,195	145,701	94,139	65,460	32,302
Shareholders' equity	182,750	107,800	58,825	44,297	23,525
Dividends declared per share	.32	.24	.20	.12	—
Worldwide employees	701	508	383	291	172



REVENUE
(In millions)



NET INCOME
(In millions)



EARNINGS PER SHARE

We at Adobe are proud to have built a company with a culture that enables people to pursue their innovative ideas, and to turn those ideas into products that help make computers more effective tools for communication. In 1991, Adobe made satisfying progress toward long-term goals for growth, building valuable business relationships, and delivering exciting new capabilities to computer users.

Despite a weak economy, revenue reached \$229,653,000 in 1991, a 36 percent increase over 1990 revenue of \$168,730,000. Net income for 1991 totaled \$51,607,000 compared to \$40,070,000 in 1990, an increase of 29 percent. Earnings per share were \$2.25, increasing 23 percent over \$1.83 in 1990. All of these amounts represent record results for the company.

Adobe finished the year in a very strong financial position, with more than \$116,336,000 in cash and short-term investments. We continued to maintain a conservative balance sheet with no long-term debt. And we paid a quarterly cash dividend of \$.08 per share of common stock in 1991, an increase of 33 percent over the 1990 quarterly dividend.

Our founding technology, the PostScript™ page-description language, solidified its position as the industry standard in 1991. The number of output devices containing PostScript software increased significantly from last year, and they were available from more manufacturers than ever before. Several new desktop printers now include advanced PostScript Level 2 software. The Display PostScript™ system, an imaging model for computer workstations, became more widely available.

In 1991, Adobe reinforced its industry leadership in digital typography by forging several key cooperative agreements. Renowned type foundry H. Berthold AG has licensed Adobe the sole rights to convert its typeface collection for computer use. Apple Computer and Digital Equipment have announced that they will make Adobe™ type technology available to a large percentage of their customers. And Lotus Development has agreed to provide Adobe type software with all of its Windows and Macintosh products worldwide.

In 1991, Adobe's application products for graphics professionals continued to build market share, contributing substantially to the 64-percent revenue growth of our Application Products Division. We released updated versions of Adobe Photoshop™ and Adobe Illustrator™ software, and introduced these popular, award-winning products to new countries and new computer platforms.

Pursuing a commitment to advance computer technology, Adobe announced significant new product developments this year. The Adobe Type 1 Coprocessor imparts our font-rasterizing software to silicon for increased text speeds on printers and displays. Multiple master technology, a new generation of digital typography, gives computer users unprecedented control and aids the exchange of electronic documents. The purchase of Adobe Premiere™ digital movie-making software has launched our venture into multimedia communication. And we have begun to commit significant resources to the pursuit of technology and products that will enable people to exchange completely formatted documents, intact, across computer platforms.

Adobe's business continues to grow on a global scale, and we have increased our presence to best meet the needs of customers in geographic areas of particular promise. In addition to our world headquarters in California, European headquarters in Amsterdam, and offices in North America, Tokyo, London and Munich, we expanded our European presence in 1991 by adding an office in Stockholm. The number of Adobe employees now exceeds 700 worldwide.

As you read on, you will see how Adobe has recognized and developed valuable ideas to create not only a successful fiscal year, but a successful company. We take pride in our history of human achievement and look to the future with enthusiasm and confidence.

Sincerely,



Charles M. Geschke

John E. Warnock

John E. Warnock
*Chairman of the Board
and Chief Executive Officer*

Charles M. Geschke
*President and
Chief Operating Officer*

Innovation thrives on encouragement and dies with routine. At Adobe, we place a premium on innovative ideas; they are the asset we value most highly.

We believe that each person at Adobe has an abundance of good ideas every day. In our environment of informality, of open doors and open minds, people feel free to express their ideas. From that exchange, we identify the ones with commercial promise. Then, rather than try to force an idea into an existing organization, and so stifle its potential, we gather resources around the idea and help the organization change to support it. Our goal is to create a product that, in turn, can change people's lives.

This philosophy has served us well since our founding nine years ago, and it is Adobe's people who make it work. Numbering just over 700, they are, for the most part, business strategists, technical wizards, artists and, quite often, some combination of those. We typically develop new products in small teams to minimize the time spent simply exchanging information. And we give them the power to make critical decisions. In essence, management tries to "stand out of their light" so they can do whatever is required to solve the problem at hand.

To understand the needs of our customers, we sometimes need to look no further than our own offices. That is because most everyone at Adobe uses computers—and Adobe products—on a daily basis. In fact, we have many more computers than people, forming a diverse and complex networked environment that rivals those of corporate giants. Not surprisingly, many of our product ideas arise from the operational challenges we ourselves encounter.

Communicating directly, and continuously, with customers yields valuable ideas as well. Our graphic designers, for example, not only help develop our application software by using it in their own work, but also frequently teach their professional colleagues how to tap its creative potential, bringing back a wealth of insight. This kind of dialogue also flows between Adobe and its OEM partners. We work together with them to establish new technological directions for printers and other products that will help people use computers to communicate more effectively and affordably.

By encouraging and being receptive to new ideas, Adobe will continue to originate, not imitate.



*Curiosity discovers new ideas;
perseverance gives them life.*

Adobe products embody our innovative ideas. Their unifying vision: to help people effectively use computers to publish and share information. In the past, creating and printing documents that incorporate text, graphics and images required a long sequence of manual tasks. Adobe has built its success on bringing this process to the desktop, making business communications as well as professional publishing faster, easier and more cost-effective.

Rather than simply reap the rewards of success from our existing products, we continue to enhance and integrate their capabilities and to widen their acceptance, thus stimulating the company's growth. In 1991, our business expanded across the board.



Adobe Photoshop 2.0 software, released in 1991, enables Macintosh users to enhance and produce color and black-and-white photographs or illustrations right on their desktops. Localized versions of the program are now available in seven countries, including Japan.

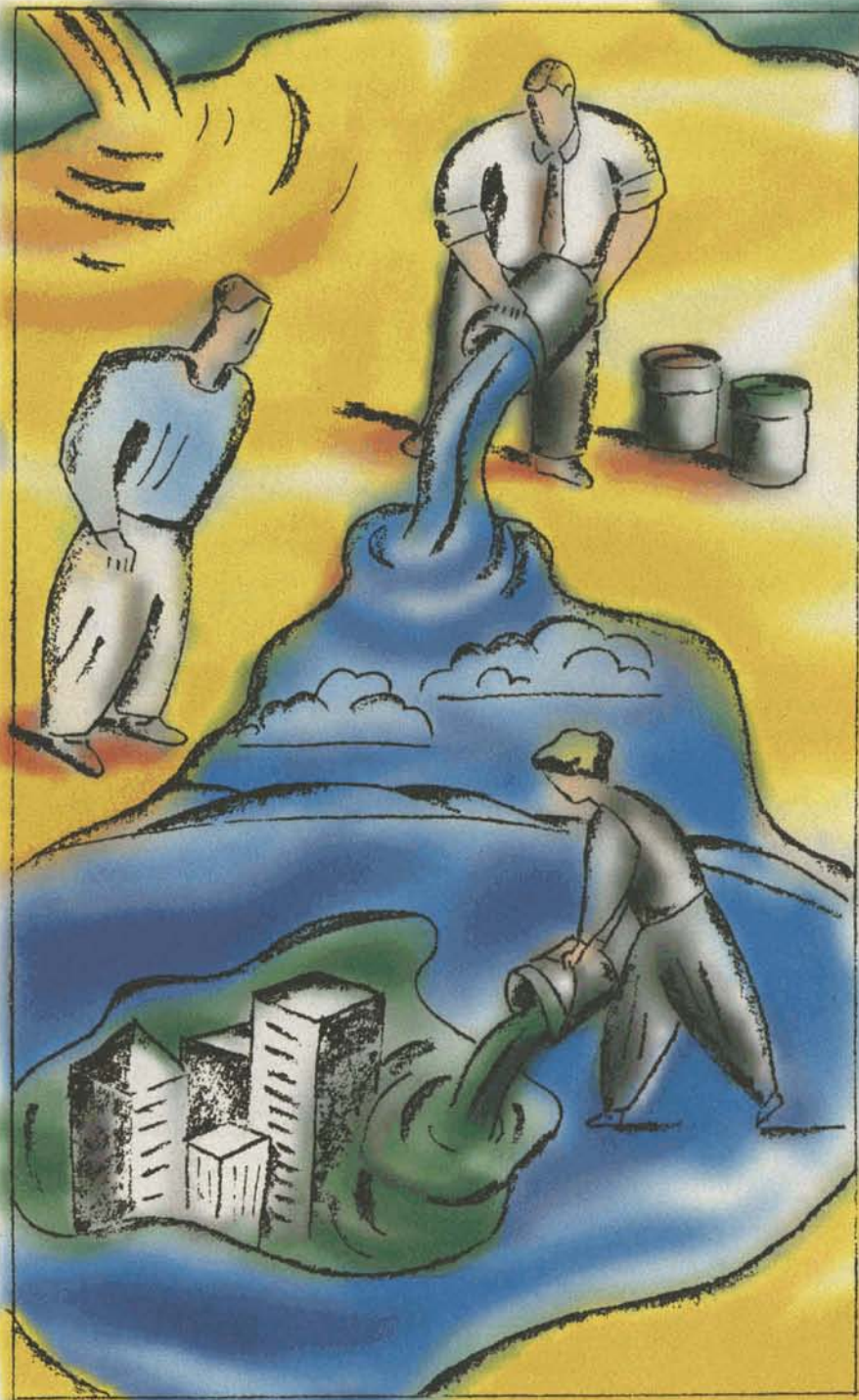
PREVALENCE OF THE PRINTING STANDARD

This year the PostScript page-description language, which enables printers to generate complex documents, increased its presence as the industry standard. More than 150 output devices from over 30 manufacturers now contain PostScript software. Unit sales of PostScript printers grew significantly in 1991, and much of that growth came from their increased acceptance in the PC market. More than half of the PostScript printers currently available are targeted to this computing environment.

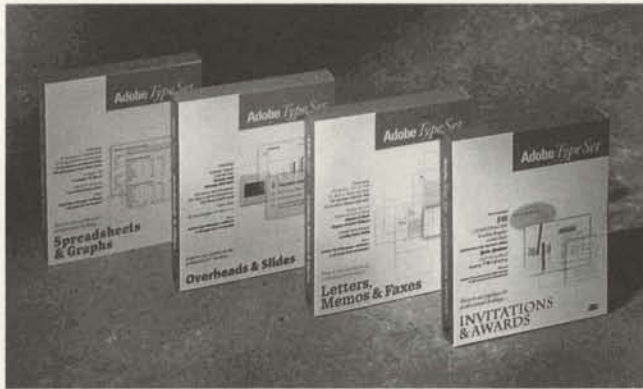
PostScript Level 2 software reached the marketplace in 1991. This first major revision of Adobe's founding technology is contained in desktop printers now shipping from several leading manufacturers. In addition to increased printing speed, PostScript Level 2 software offers advanced capabilities, and is quickly emerging as the new standard for desktop printing.

PostScript software continues to dominate the market for imagesetters, which are used by professional publishers. New Adobe Accurate Screens™ software enables PostScript imagesetters to generate color output whose quality equals that of expensive electronic prepress systems. In 1991, the first imagesetters with this capability saw commercial use.

With a PostScript printer and a computer running Adobe's Display PostScript system, users can create a complex document on the screen that will match the printed page. The Display PostScript system has become the standard imaging model for a significant portion of the workstation market and is now included in computers from Digital Equipment, NeXT and IBM. Silicon Graphics, the newest licensee of the Display PostScript technology, began shipping its IRIS Indigo workstation in 1991. Such agreements, along with the growing demand for these sophisticated, UNIX-based machines, have created a steady business for Adobe.

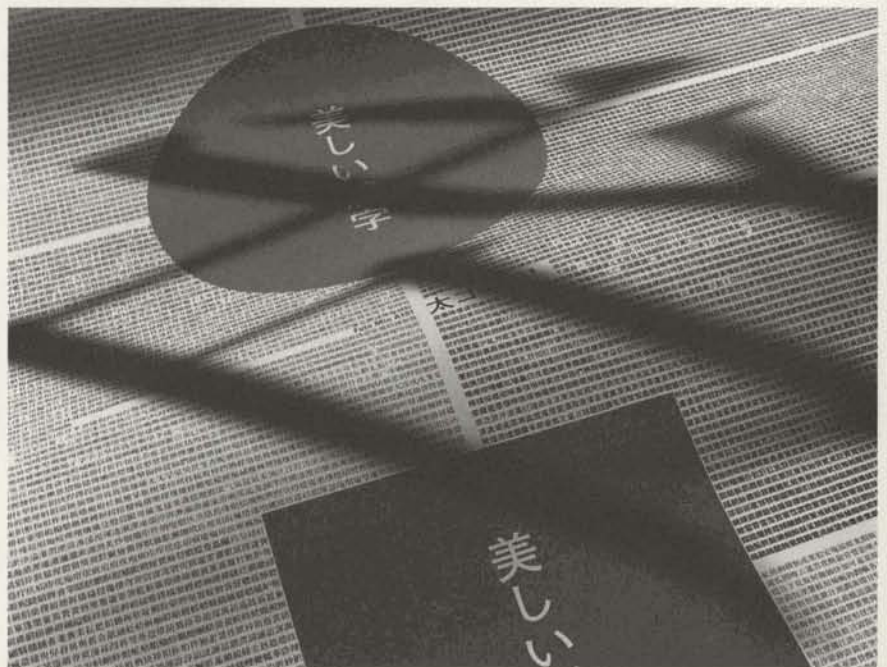
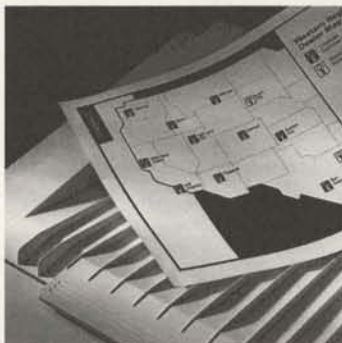


*One innovative idea flows from
another, inspiring products that
solve problems.*



Because many computer users are just learning to work with type, four new Adobe Type Set™ packages each contain a typeface collection chosen for specific kinds of business documents, as well as a booklet on using type effectively.

The PostScript page-description language, Adobe's founding technology, is the industry standard for quality laser printing. New PostScript Level 2 software brings faster speeds and advanced capabilities to affordable desktop printers.



Adobe introduced software for three new downloadable Japanese-language typefaces in 1991, bringing to five the number available in Adobe's Type 1 format.

THE RIGHT TYPE

Adobe's PostScript language technology has made it easy for anyone with a computer to work with digital type. The company's Type 1 font format has become the industry standard for electronic publishing across computing platforms. In 1991, the number of Type 1 typefaces grew to more than 10,000, offered by over 30 vendors for use in DOS, Macintosh, OS/2, UNIX and Windows environments. Hundreds of output devices and thousands of applications support the standard.

The Adobe Type Library is the world's broadest, highest-quality selection of Type 1 font software. Available on floppy disk, hard disk, CD-ROM or magnetic tape, it now comprises software for more than 1,300 typefaces. This growing collection increased in size by 30 percent this year alone. Users of Macintosh, PC, many UNIX and other systems can work with Adobe type.

Berlin-based H. Berthold AG, one of the world's oldest and most respected type foundries, this year licensed Adobe the sole rights to convert the prestigious Berthold Exklusiv collection of typefaces into the Type 1 font format. The Adobe Type Library now contains the first releases from these more than 500 typefaces. The Berthold agreement makes Adobe the premier source of typefaces from the world's leading foundries, including Agfa, International Typeface Corporation (ITC), Linotype-Hell, Monotype and Morisawa.

Adobe also released software for three new downloadable Japanese-language

typefaces this year, bringing to five the number available in the Type 1 format. Containing more than 7,000 characters each, they work with a newly introduced version of Adobe Type Manager™ font-rasterizing software for the Japanese language.

SOFTWARE PARTNERSHIPS

The leadership position of Adobe's font technology has solidified with the formation of several significant cooperative agreements. This year, Apple Computer signed a letter of intent to include Type 1 rasterizing and typeface software in a future version of its new Macintosh System 7 software.

Also in 1991, Digital Equipment signed a licensing and distribution agreement that will make the entire Adobe Type Library available over networked ULTRIX and VMS systems. PostScript software technology will now extend across the entire Digital computing environment.

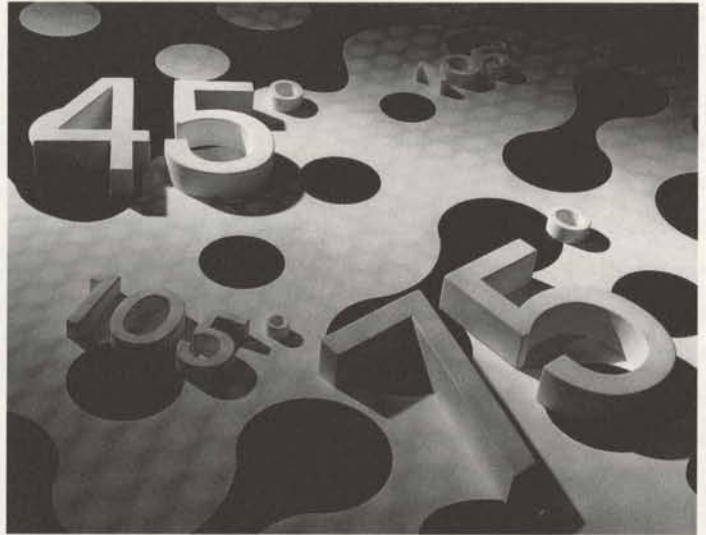
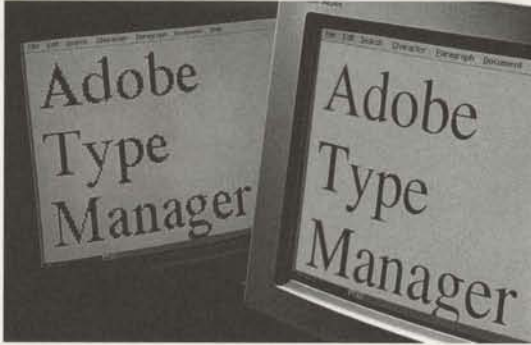
A new license agreement with Lotus Development will spread the Type 1 font format to Lotus' large installed base of PC users. The company now provides Adobe Type Manager software and a core set of 13 typefaces from the Adobe Type Library in all of its Windows and Macintosh products worldwide, including Lotus 1-2-3 and Ami Pro software.

Adobe Type Manager software also ships with popular products from Aldus, Brøderbund Software, Micrografx, Ventura Software and others. In all, 18 software

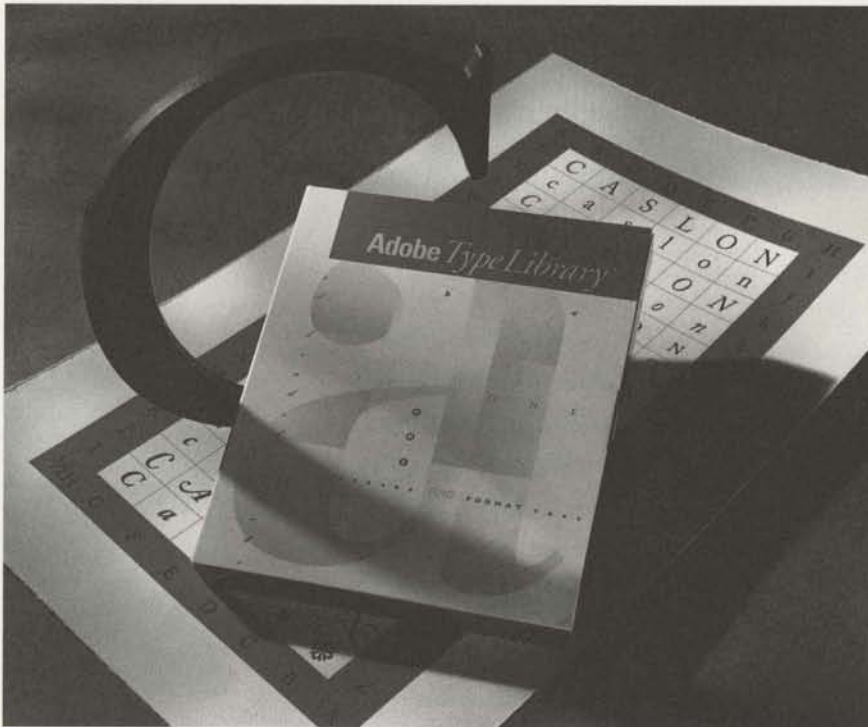


Adobe Illustrator professional design and illustration software continued its commercial success this year and reached the workstation market with a released version for NeXT computers and announced versions for machines from Digital Equipment and Silicon Graphics.

Adobe Type Manager (ATM™) software dramatically improves the clarity of text on computer displays. It also enables non-PostScript printers to print sharp Adobe Type 1 fonts. New license and bundling agreements with top software developers are delivering ATM to a wider base of Macintosh and PC users and reinforcing the Type 1 standard worldwide.



PostScript imagesetters containing new Adobe Accurate Screens software produce color output whose quality is comparable to that of expensive electronic prepress systems. Used in conjunction with desktop design applications, these imagesetters give artists and publishers more production control and flexibility than ever before.



Now comprising software for more than 1,300 typefaces, the Adobe Type Library is the world's broadest, highest-quality type selection for electronic publishing. It includes the growing, highly popular Adobe Originals™ collection of font software created by Adobe's type designers. The Adobe Caslon™ typeface family, released in 1991, translates a classic type design into digital form.

companies are enhancing their applications and reinforcing the Type 1 standard by bundling Adobe Type Manager.

THE EMERGING PC TYPE MARKET

The availability of both Adobe Type Manager and Adobe TypeAlign™ software for Windows is introducing many PC users to the world of digital type. Adobe Type Manager dramatically improves the clarity of text on computer displays and printed pages. Adobe TypeAlign enables the creation of novel type effects for easy placement into page layout and word processing programs. With these two affordable tools and the offering of Adobe type with many popular applications in the Windows market, sales of Adobe type for the PC have grown significantly.

One way Adobe has appealed to novice type users is through its new Adobe Type Set packages for business. These four collections each contain typeface software for specific kinds of business documents, Adobe Type Manager software, and a booklet on using type effectively. The packages are available in Macintosh and Windows versions.

BROADENING THE BASE

In 1991, Adobe's application products continued to build market share. They give design professionals a complete set of tools for creating and producing documents that incorporate graphics, images and text.

Adobe Photoshop software, for example, enables Macintosh users to enhance and produce color and black-and-white

photographs or illustrations in a way previously possible only on expensive, proprietary systems. This award-winning product gained widespread acceptance worldwide in 1991. Newly released Adobe Photoshop 2.0 includes new and improved features for image editing, color separation and sharing of files with other programs. To meet the growing demand for high-quality images in the Japanese marketplace, Adobe released a fully localized version of Adobe Photoshop that fulfills the specific requirements of Japanese production and printing. Localized versions are also available in Europe.



With a computer running the Display PostScript system, users can work with an image on their display that matches the image they will receive from their PostScript printer—an attractive feature for computer workstations.

Adobe Illustrator software is the professional design and illustration program that created an entire application category when it appeared in 1987. In 1991, the new, award-winning Adobe Illustrator 3.0 outpaced its competition in features and continued the commercial success of the program. Adobe introduced the product to the workstation environment this year, releasing a version for NeXT computers and announcing versions for machines from Digital Equipment and Silicon Graphics. Sophisticated, UNIX-based workstations represent a growing market for Adobe application products.

Clearly, Adobe's strategy for growth is twofold: not only to create innovative products, but to bring products to market in innovative ways.

Innovation is a perishable good. At Adobe, our objective is not only to keep pace with advancements in technology, but to help set that pace. Broadly speaking, we look for ways to integrate the familiarity of creating, managing and sharing information via paper with emerging forms of performing these tasks electronically. We strive to overcome the obstacles, such as incompatibility of systems, that keep computers from realizing their potential as the ultimate communication tool. And we aim our development efforts at making that vision a reality, innovation by innovation.

SOFTWARE SOLUTIONS IN SILICON

In 1991, Adobe made strides in imparting software capabilities to silicon, which

results in instant response times for computer users.

The newly announced Adobe Type 1 Coprocessor is the silicon implementation of Adobe's Type 1 font-rasterizing software. This VLSI (very large scale integration) processor circuit

will give PostScript printers and display controllers the ability to render typeface characters at dramatically higher speeds, regardless of document or character complexity, an issue of major importance for Japanese-language printers. Adobe will continue to pioneer this technique for handling other document elements such as graphics and images.

A NEW DIMENSION IN TYPOGRAPHY

Adobe this year unveiled multiple master type technology, a new generation of digital typography. Built on the Adobe Type 1 font format and PostScript language rasterizing capabilities, multiple master typefaces enable computer users to generate thousands of fonts from a single typeface by varying attributes such as weight, width, optical size and style. In 1991, the company announced its first two multiple master typefaces, both of which were created by Adobe type designers.

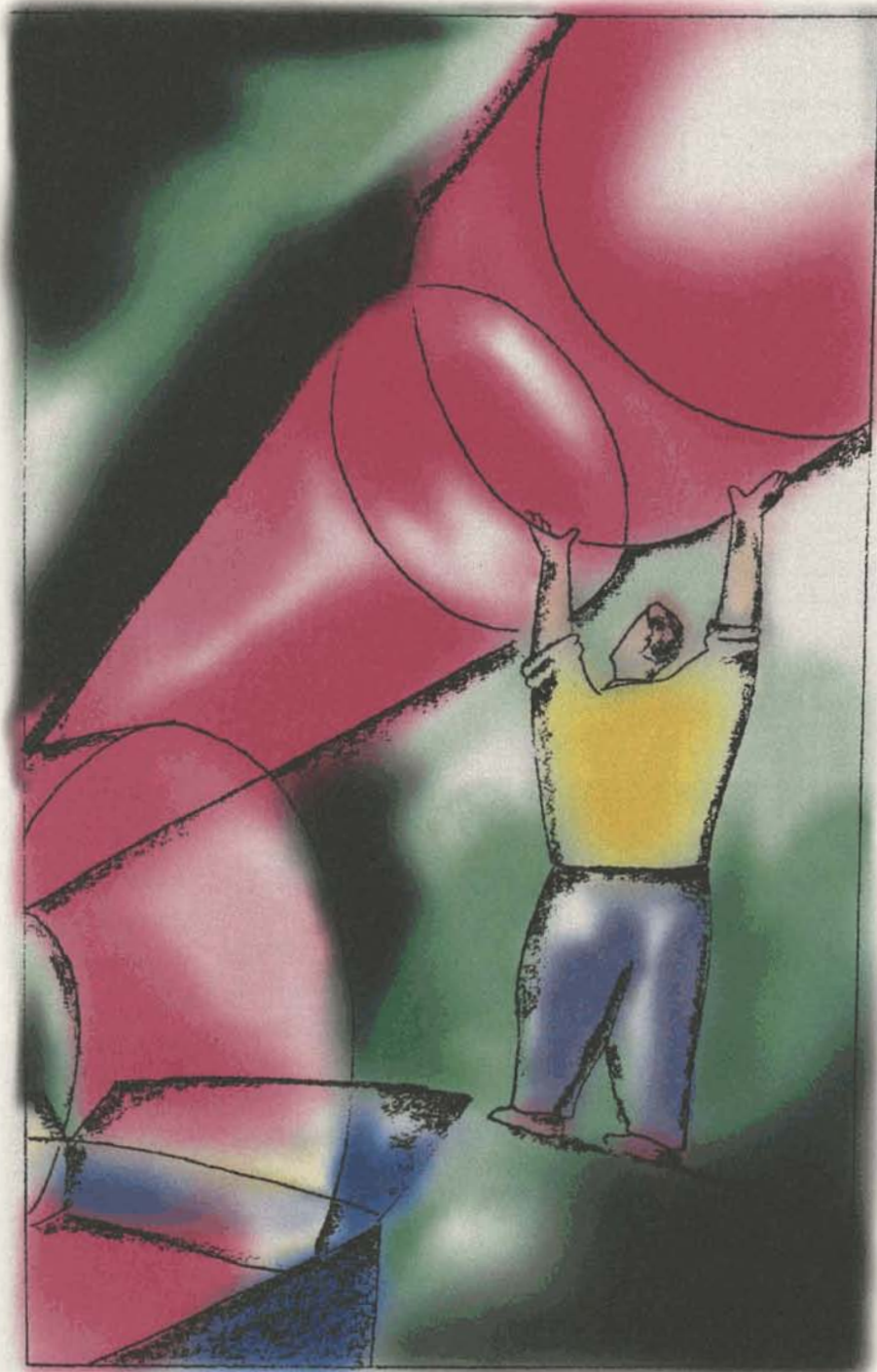
In addition to giving type users a new degree of individual control, multiple master technology also will aid the exchange of electronic documents. Multiple master font substitution will be a critical component in enabling someone receiving a document to view and print it in its original format, whether or not the two computer systems contain the same typeface software.

MULTIMEDIA VENTURES

Adobe is exploring the commercial potential of products for multimedia communication. Purchased from SuperMac Technology in 1991, Adobe Premiere software takes advantage of Apple's QuickTime media-integration technology, enabling Macintosh users to create and play full-motion digital movies. Adobe Premiere is fully compatible with Adobe Illustrator and Adobe Photoshop software for graphics and images, giving Adobe a complete line of integrated tools for desktop computer imaging.

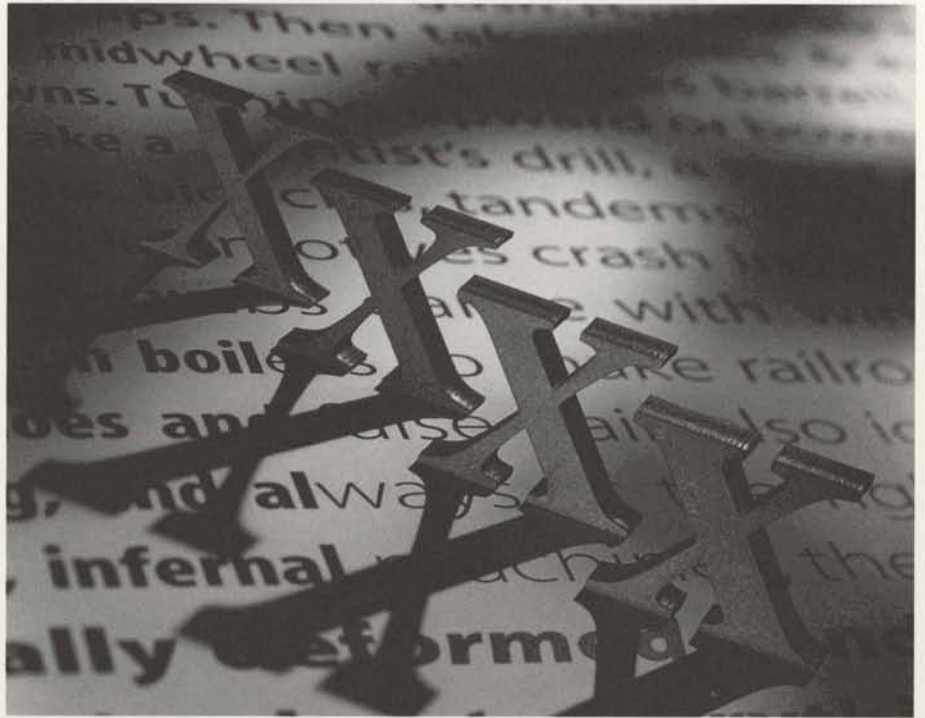


Purchased in 1991 from SuperMac Technology, Adobe Premiere software takes advantage of Apple's QuickTime media-integration technology, enabling Macintosh users to create and play full-motion digital movies.



*Having an idea can launch a
company; building on a vision
promotes success.*

Announced in 1991, multiple master typefaces represent a major breakthrough in digital type technology. They let computer users generate thousands of fonts from a single typeface by varying attributes such as weight, width, optical size and style.



Berlin-based H. Berthold AG, one of the world's oldest and most respected type foundries, this year licensed Adobe the sole rights to convert the prestigious Berthold Exklusiv collection of typefaces into the Type 1 font format. This agreement makes Adobe the premier source of typeface software from the world's leading foundries.



The Adobe Type 1 Coprocessor is the silicon implementation of Adobe's font-rasterizing software. It will give PostScript printers and display controllers the ability to render typeface characters at dramatically higher speeds, regardless of document or character complexity.

THE NEXT LEVEL OF DOCUMENT COMMUNICATION

The primary function of computers today is to help create rather than read or manage documents. Because of the incompatibility and tremendous diversity of operating environments, even within companies, people are unable to use computers to move to the next level of electronic communication, which is to share finished work. Adobe believes that if it were possible to freely and directly exchange all the documents created with current software applications, computer usage would increase and communication would become more immediate and efficient.

While networking companies have established standards for exchanging simple data, no effective standard exists for exchanging complete, complex documents that incorporate text, graphics and images. Building on its technological base and market position, Adobe is working to solve the problem of document communication by developing an architecture that transcends the boundaries of current

computing environments. The goal: to create a practical, open format that would meet the daily needs of users and thus ultimately gain widespread acceptance—the same market-based strategy that Adobe applied to create the industry-standard PostScript language.

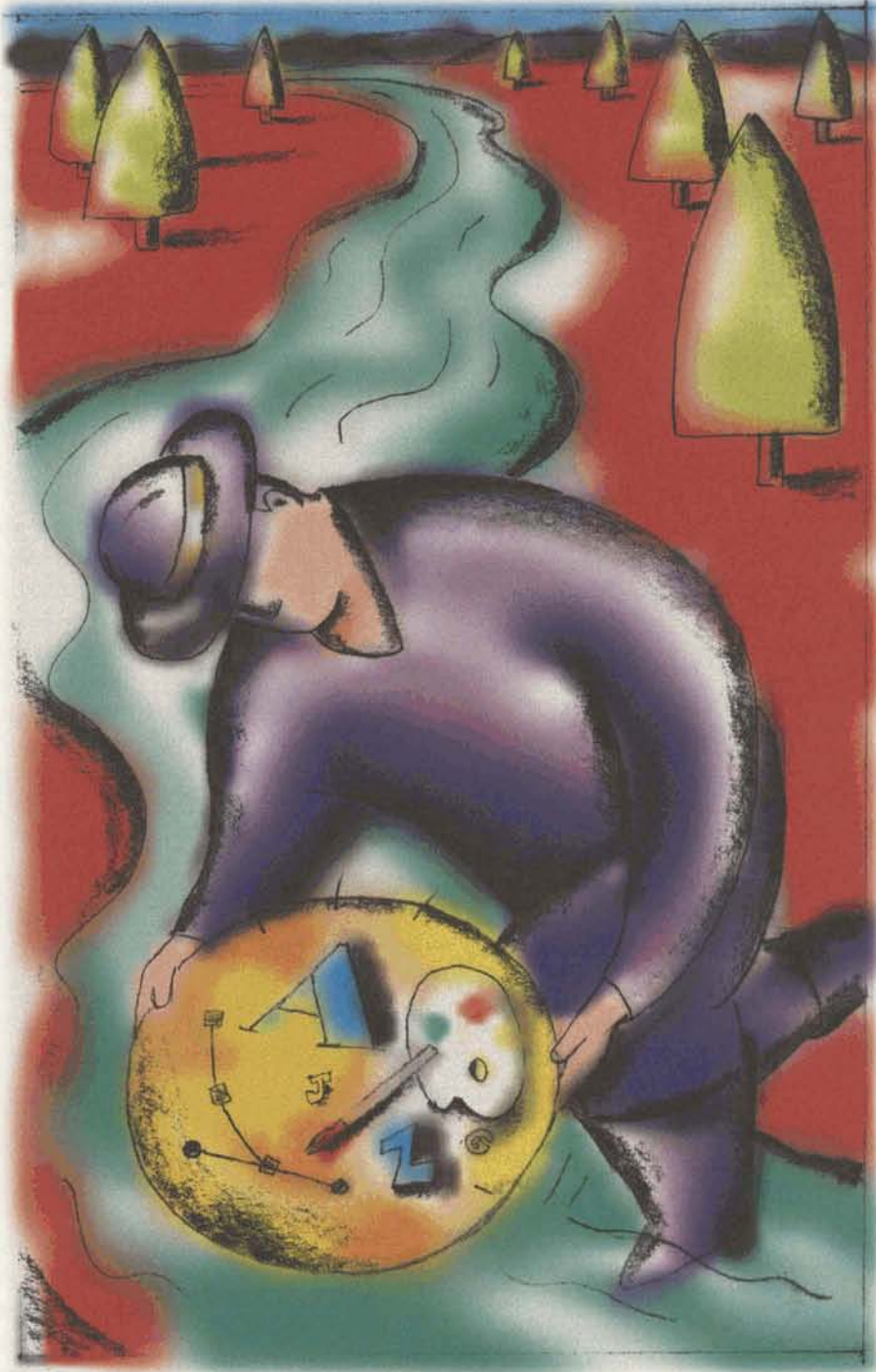
In 1991, Adobe continued its development project to provide technology and products that will enable people to exchange completely formatted documents, intact, across computer platforms, regardless of the application used to create them. The company is working with OEM partners and independent software developers to implement this concept.

Adobe's technology holds exciting promise. With accomplished and talented people, a high level of enthusiasm, and a history of remarkable success, Adobe looks forward to helping deliver on that promise—that of computers becoming the world's primary communication tool, one as indispensable as the telephone.

Adobe's OEM Partners

The following manufacturers license PostScript software:

*3M Corporation
Agfa-Gevaert N.V.
Apple Computer, Inc.
Autologic, Incorporated
Birmy Graphics Corporation
Cactus
Canon, Inc.
Dainippon Screen Mfg. Co., Ltd.
Dataproducts Corporation
Digital Equipment Corporation
Digital F/X, Inc.
E. I. Du Pont de Nemours
and Company
Eastman Kodak Company
Electronics for Imaging, Inc.
Fujitsu Limited
GCC Technologies
Gestetner Lasers Pty. Limited
Hewlett-Packard Company
International Business Machines
Corporation
Lexmark International
Linotype-Hell AG
Mannesmann Scangraphic
Matsushita Electric Industrial
Co., Ltd.
Monotype Corporation PLC
NEC Corporation
NeXT, Inc.
Océ Graphics USA Inc.
Oki Electric Industry Co.
Optronics, a Division of Intergraph
QMS, Inc.
Ricoh Company, Ltd.
Scitex Corporation, Ltd.
Seiko Epson Corporation
Silicon Graphics, Inc.
Synergy Computer Graphics
Corporation
Tektronix, Inc.
Texas Instruments Incorporated
Varityper, Inc.
Wang Laboratories, Inc.
Xerox Corporation*



*A successful company is one that
consistently recognizes and
develops valuable ideas.*

<i>Percentage of Revenue, Year Ended</i>	<i>November 29, 1991</i>	<i>November 30, 1990</i>	<i>December 1, 1989</i>	<i>% Change 1990 to 1991</i>	<i>% Change 1989 to 1990</i>
REVENUE					
Royalties	55.4%	62.4%	67.5%	20.7%	28.7%
Product sales	39.3	32.7	28.6	63.6	58.8
Contract and other	5.3	4.9	3.9	49.0	73.6
<i>Total revenue</i>	100.0	100.0	100.0	36.1	39.0
COSTS AND EXPENSES					
Direct costs	19.0	18.0	16.0	44.4	56.0
Research, development and contract costs	14.5	12.0	11.1	64.6	50.1
Sales, marketing and customer support	24.6	24.2	22.4	38.1	50.4
General and administrative	8.0	9.0	8.0	20.8	56.4
<i>Total costs and expenses</i>	66.1	63.2	57.5	42.4	52.8
Operating income	33.9	36.8	42.5	25.3	20.5
Interest income	2.5	2.4	2.7	38.6	27.0
Income before income taxes	36.4	39.2	45.2	26.1	20.9
Income tax expense	13.9	15.5	17.4	22.0	24.0
<i>Net income</i>	22.5%	23.7%	27.8%	28.8%	18.9%

RESULTS OF OPERATIONS

REVENUE

Total revenue for the Company continued to grow during 1991, increasing by 36 percent to \$229,653,000, following a 39 percent and 45 percent increase in the previous two years. This growth is attributable to increased royalties, increased revenue from application products and higher contract revenue, and has been primarily due to volume increases, as opposed to price increases.

The year-to-year increases in royalty revenue are a result of increased unit shipments by the Company's OEM (original equipment manufacturer) customers of products which contain the PostScript interpreter and the Display PostScript system. These products include printers, both Roman and Japanese, typesetters, imagesetters and workstations. During 1991, more than 40 new products containing the PostScript interpreter were introduced by OEM customers, and the Company received royalty revenue from over 30 OEM customers, compared to 27 customers in fiscal 1990 and 19 customers in fiscal 1989. At the end of 1991, Adobe had announced licensing agreements with 43 OEMs.

Apple Computer remained the Company's largest customer, accounting for approximately 11 percent of the Company's total revenue in 1991, compared with 23 percent in fiscal 1990, and 25 percent in fiscal 1989. The Company's other OEM customers have increased their share of the Company's revenue, although no other customer accounted for greater than 10 percent of the Company's total revenue in 1991, 1990 or 1989.

Revenue from application software has grown significantly over each of the last three fiscal years, increasing from 29 to 33 to 39 percent of Company revenue for 1989, 1990 and 1991, respectively. While shipments of downloadable typeface software packages have increased each year, the primary reason for the increased revenue is the introduction of new products each year. Some of the major product introductions include Adobe Streamline™ and Adobe Type Manager for the Macintosh, which were introduced in 1989, and Adobe Photoshop, the PostScript Cartridge for HP LaserJet II printers, Adobe Illustrator 3.0, and Adobe Type Manager-Windows Version, which were all introduced in 1990. During 1990, the Company acquired Emerald City Software, and thereby recognized revenue from distributing new products, including Adobe TypeAlign and Adobe Type

Reunion.™ During 1991, product introductions included Type On Call,™ Adobe TypeAlign-Windows Version, and Adobe Type Manager-Kanji Version. During 1989, 1990 and 1991, the application products business experienced a higher rate of revenue growth than the OEM royalty business. The Company expects this trend to continue in 1992.

Contract and other revenue also continued to increase on a year-to-year basis, as the Company undertook new projects for new and existing OEMs.

DIRECT COSTS

Direct costs include packaging, diskettes and shipping for application products as well as royalties paid to third parties for typeface designs that are distributed as downloadable software packages or bundled with the PostScript interpreter. Also included in direct costs is the amortization of capitalized typeface development costs and the amortization of investments in typeface libraries. Direct costs have increased on a year-to-year basis, reflecting the overall growth in revenue, and have increased as a percentage of revenue both in 1990 and 1991, primarily because a higher percentage of the Company's total revenue was attributable to application products, which typically have higher direct costs. During 1990 and 1991, an increasing percentage of application products was sold in international markets, and localization expense is included in the direct costs for European and Japanese versions of the application products. In addition, during 1990, hardware products such as the PostScript Cartridge and the type cartridges were introduced, which have higher direct costs than the application software products.

RESEARCH, DEVELOPMENT AND CONTRACT COSTS

The Company has made a significant investment in research and development, with spending growing to 15 percent of revenue in 1991, compared to 12 percent and 11 percent in the prior years. Research and development spending consists primarily of salaries of engineers and technical support specialists. The Company has expanded its engineering staff to design a large number of PostScript Level 2 devices currently under development for its OEM customers. In addition, much research and development effort has been focused on the development of some of the Company's premier application products for the Windows environment, which the Company expects to ship in fiscal 1992.

During 1990, the Company acquired BluePoint Technologies Incorporated, a company that designed application-specific integrated circuits (ASICs) specifically for handling type

rendering. In 1991, the Company announced the Adobe Type 1 Coprocessor, which will be offered for licensing to its OEM customers. This chip allows much faster type rendering than existing software-only solutions. The Company is also doing research and development work on new technologies, including electronic document interchange, which is intended to permit the exchange of complex electronic documents across disparate computer platforms, regardless of the application used to create them. The Company believes that investment in research and development is necessary to remain competitive and expects research, development and contract costs to increase as a result of additions to the development staff to handle new products and advanced technologies in 1992.

SALES, MARKETING AND CUSTOMER SUPPORT

Sales, marketing and customer support expenses, which have increased over the three years ended in fiscal 1991, also increased as a percentage of revenue during 1990 and 1991. The increased spending reflects the addition of personnel to accommodate the growth in sales from existing products as well as increased activity associated with the introduction of new products and upgrades of existing products. While revenue has grown from licensing both the PostScript interpreter to OEMs and the application products to end users, revenue from application products has grown at a faster pace. The application products business is more retail-oriented, requiring a greater commitment of sales and marketing resources for advertising, merchandising and customer support. In addition, sales and marketing staff have been added to the Company's European and Japanese offices to service international customers. The Company expects sales, marketing and customer support expenses to grow in 1992 in support of the introduction of new products as well as upgrades of existing products.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased during the three years from 1989 through 1991 but remained relatively constant as a percentage of revenue. Much of the increase is attributable to personnel additions required to support the growth in the Company's business. Other factors contributing to increased spending include legal expenses associated with the Company's business, MIS and telecommunication costs, as well as the amortization of goodwill capitalized in conjunction with the

Emerald City Software and BluePoint Technologies acquisitions, which occurred during 1990. The Company expects general and administrative expenses to increase in fiscal 1992 as business expands.

INTEREST INCOME

Interest income of \$5,705,000, \$4,116,000 and \$3,242,000 for the years ended November 29, 1991, November 30, 1990 and December 1, 1989, respectively, was earned on the Company's cash balances and short-term investments. The Company's cash balances and short-term investments have increased each year as its operations remain profitable and capital expenditures and other investments have been relatively modest.

INCOME TAX EXPENSE

The Company's 1991, 1990 and 1989 effective income tax rates were 38 percent, 40 percent and 39 percent, respectively. For an analysis of the differences between the statutory and effective income tax rates, see Note 6 to the Consolidated Financial Statements.

FINANCIAL CONDITION

The Company's financial condition remains strong. Total assets grew to \$221,195,000 at the end of 1991, compared to \$145,701,000 in fiscal 1990. Working capital increased by \$52,827,000 from \$71,844,000 at the end of 1990 to \$124,671,000 as of November 29, 1991, primarily due to the growth in cash, short-term investments and receivables.

Other assets increased from \$19,722,000 as of November 30, 1990, to \$34,811,000 as of November 29, 1991, primarily due to two major licensing agreements and an investment in a real estate partnership. An agreement signed with H. Berthold AG, a European type foundry, grants the Company exclusive rights to distribute the Berthold Exklusiv collection of typefaces in the Type 1 format. Also, the Company announced a licensing agreement with Electronics for Imaging. This agreement grants Adobe a nonexclusive right to a patent covering color imaging technology. During 1991, the Company entered into a real estate partnership with an established local developer to acquire land and develop office space for the Company's new headquarters.

In fiscal 1989, 1990 and 1991, the Company's Board of Directors elected to pay a cash dividend of \$.05, \$.06 and \$.08, respectively, per common share for each of the Company's fiscal quarters. The Company believes that present working capital levels, including cash generated from operations, are adequate to meet its operating cash requirements.

C O N S O L I D A T E D B A L A N C E S H E E T S

<i>(In thousands, except share data)</i>	<i>November 29, 1991</i>	<i>November 30, 1990</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,305	\$ 19,481
Short-term investments	86,031	50,183
Receivables	37,900	31,339
Inventory	3,931	3,995
Deferred income taxes	275	1,103
Other current assets	3,157	2,990
<i>Total current assets</i>	161,599	109,091
Property and equipment	17,636	12,104
Typeface production costs	7,149	4,784
Other assets	34,811	19,722
	\$221,195	\$145,701
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accrued expenses	\$ 23,005	\$ 21,776
Income taxes payable	5,117	5,841
Other payables	6,144	4,420
Deferred revenue	2,662	5,210
<i>Total current liabilities</i>	36,928	37,247
Deferred income taxes	1,517	654
Shareholders' equity:		
Common stock, no par value, 100,000,000 shares authorized; 22,133,069 and 20,956,697 shares issued and outstanding as of November 29, 1991, and November 30, 1990, respectively	44,487	14,128
Retained earnings	138,263	93,672
<i>Total shareholders' equity</i>	182,750	107,800
	\$221,195	\$145,701

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	<i>Years Ended</i>		
	<i>November 29, 1991</i>	<i>November 30, 1990</i>	<i>December 1, 1989</i>
<i>(In thousands, except per share data)</i>			
REVENUE			
Royalties	\$127,158	\$105,339	\$ 81,877
Product sales	90,174	55,123	34,719
Contract and other	12,321	8,268	4,762
<i>Total revenue</i>	229,653	168,730	121,358
COSTS AND EXPENSES			
Direct costs	43,758	30,307	19,421
Research, development and contract costs	33,223	20,190	13,446
Sales, marketing and customer support	56,406	40,848	27,154
General and administrative	18,373	15,210	9,726
<i>Total costs and expenses</i>	151,760	106,555	69,747
Operating income	77,893	62,175	51,611
Interest income	5,705	4,116	3,242
Income before income taxes	83,598	66,291	54,853
Income tax expense	31,991	26,221	21,147
<i>Net income</i>	\$ 51,607	\$ 40,070	\$ 33,706
<i>Net income per share</i>	\$ 2.25	\$ 1.83	\$ 1.55
<i>Shares used in computing net income per share</i>	22,941	21,923	21,718

See accompanying notes to consolidated financial statements.

<i>(In thousands, except share data)</i>	<i>Common Stock</i>		<i>Retained Earnings</i>	<i>Total Shareholders' Equity</i>
	<i>Shares</i>	<i>Amount</i>		
<i>Balances as of November 30, 1988</i>	20,672,452	\$ 12,354	\$ 31,943	\$ 44,297
Issuance of Common Stock under Stock Option Plan	315,320	2,106	—	2,106
Issuance of Common Stock under Employee Stock Purchase Plan	67,063	1,201	—	1,201
Issuance of Common Stock under Restricted Stock Plan	129,000	—	—	—
Tax benefit from employee stock plans	—	1,505	—	1,505
Stock option compensation expense	—	89	—	89
Restricted stock compensation expense	—	366	—	366
Dividends declared at \$.20 per share	—	—	(4,143)	(4,143)
Repurchase of Common Stock	(1,080,000)	(17,389)	(2,913)	(20,302)
Net income	—	—	33,706	33,706
<i>Balances as of December 1, 1989</i>	20,103,835	232	58,593	58,825
Issuance of Common Stock under Stock Option Plan	725,319	5,304	—	5,304
Issuance of Common Stock under Employee Stock Purchase Plan	107,920	1,858	—	1,858
Issuance of Common Stock under Restricted Stock Plan	135,750	—	—	—
Tax benefit from employee stock plans	—	6,588	—	6,588
Restricted stock compensation expense	—	1,274	—	1,274
Dividends declared at \$.24 per share	—	—	(4,991)	(4,991)
Repurchase of Common Stock	(116,127)	(1,128)	—	(1,128)
Net income	—	—	40,070	40,070
<i>Balances as of November 30, 1990</i>	20,956,697	14,128	93,672	107,800
Issuance of Common Stock under Stock Option Plan	1,108,875	12,413	—	12,413
Issuance of Common Stock under Employee Stock Purchase Plan	152,019	2,876	—	2,876
Issuance of Common Stock under Restricted Stock Plan	11,220	—	—	—
Tax benefit from employee stock plans	—	15,910	—	15,910
Restricted stock compensation expense	—	2,184	—	2,184
Dividends declared at \$.32 per share	—	—	(7,016)	(7,016)
Repurchase of Common Stock	(95,742)	(3,024)	—	(3,024)
Net income	—	—	51,607	51,607
<i>Balances as of November 29, 1991</i>	22,133,069	\$ 44,487	\$ 138,263	\$ 182,750

See accompanying notes to consolidated financial statements.

C O N S O L I D A T E D S T A T E M E N T S O F C A S H F L O W S

	<i>Years Ended</i>		
	<i>November 29, 1991</i>	<i>November 30, 1990</i>	<i>December 1, 1989</i>
<i>(In thousands)</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$51,607	\$40,070	\$33,706
Adjustments to reconcile net income to net cash provided by operating activities:			
Restricted stock and stock option compensation expense	2,184	1,274	455
Depreciation and amortization	15,244	11,125	5,735
Deferred income taxes	1,691	914	(2,080)
Changes in operating assets and liabilities:			
Receivables	(6,561)	(7,320)	(9,407)
Inventory	64	(2,488)	(399)
Other current assets	(167)	(2,052)	(537)
Accrued expenses	1,229	3,978	7,819
Income taxes payable	15,186	6,575	4,229
Other payables	1,205	(888)	2,408
Deferred revenue	(2,548)	(2,458)	1,586
<i>Net cash provided by operating activities</i>	79,134	48,730	43,515
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term investments, net	(35,848)	(13,591)	(14,777)
Purchases of property and equipment	(12,212)	(7,402)	(5,198)
Capitalized typeface production costs	(4,973)	(3,252)	(1,884)
Other assets	(21,045)	(5,385)	(988)
Acquisitions, net of cash acquired	—	(13,987)	—
<i>Net cash used for investing activities</i>	(74,078)	(43,617)	(22,847)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of Common Stock	15,289	7,162	3,307
Repurchase of Common Stock	(3,024)	(1,128)	(20,302)
Dividends paid	(6,497)	(4,740)	(3,960)
<i>Net cash provided by (used for) financing activities</i>	5,768	1,294	(20,955)
Net increase (decrease) in cash and cash equivalents	10,824	6,407	(287)
Cash and cash equivalents at beginning of year	19,481	13,074	13,361
<i>Cash and cash equivalents at end of year</i>	\$30,305	\$19,481	\$13,074
SUPPLEMENTAL DISCLOSURES			
Cash paid during the year for income taxes	\$15,114	\$20,095	\$18,998
Non-cash investing and financing activities:			
Tax benefit from employee stock plans	\$15,910	\$ 6,588	\$ 1,505
Dividends declared but not paid	1,780	1,261	1,010
Notes payable relating to acquisitions	—	1,817	—
Deferred taxes relating to acquisitions	—	1,723	—

See accompanying notes to consolidated financial statements.

November 29, 1991, November 30, 1990, and December 1, 1989

NOTE I. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Founded in 1982, Adobe Systems develops, markets and supports computer software products and technologies that enable users to create, display, print and communicate all forms of electronic documents. The accompanying consolidated financial statements include those of Adobe and its wholly owned subsidiaries, after elimination of all significant intercompany accounts and transactions. Realized and unrealized foreign exchange gains and losses, which have not been material, are included in results of operations.

CASH EQUIVALENTS

Cash equivalents consist of highly liquid money market instruments, which have original maturities of three months or less at the time of acquisition.

SHORT-TERM INVESTMENTS

Short-term investments are carried at cost, which approximates market. As of November 29, 1991, short-term investments consist principally of municipal bonds, commercial paper, bankers' acceptances, money market preferreds, asset backed securities and treasury notes.

INVENTORY

Inventory is stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated on the straight-line method over the estimated useful lives of the respective assets, generally three to eight years. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the related assets, generally five to nine years.

TYPEFACE PRODUCTION COSTS

Typeface production costs, less \$8,753,000 and \$6,145,000 accumulated amortization in 1991 and 1990, respectively, comprise direct and indirect costs associated with the production of typefaces to be used with the PostScript interpreter, or distributed in shrink-wrapped packages to end users through the retail channel or directly from the Company.

These costs are amortized on a straight-line basis over the expected product life cycle, generally three to four years, commencing with the market release of each new typeface software program.

OTHER ASSETS

Other assets are stated at cost less accumulated amortization. Amortization is provided on the straight-line method over the estimated useful lives of the respective assets, generally three years for technology, ten years for goodwill and three to six years for licensing agreements.

REVENUE RECOGNITION

Royalties earned from original equipment manufacturers (OEMs) relating to licensing agreements, whereby the OEM licenses Adobe's proprietary software for redistribution to the OEM's end-user customers, are recognized when the OEM ships its products incorporating Adobe's software.

Product sales comprise shrink-wrapped licenses of typeface software, and application software such as Adobe Illustrator, Adobe Type Manager, Adobe Photoshop and Adobe type cartridges. Revenue from product sales is recognized upon shipment.

Contract revenue relates to Adobe's performance under contracts entered into with the Company's OEM licensees, which normally stipulate that Adobe will provide the research and development required to adapt the Company's software products to the OEM's hardware products. Revenue on such contracts is recognized based on the percentage-of-completion method. The costs incurred in performing under the contracts are included in research, development and contract costs in the accompanying consolidated statements of income.

Deferred revenue comprises payments received in advance of revenue recognized on the aforementioned contracts, and payments received representing royalty advances.

DIRECT COSTS

Direct costs comprise royalty fees payable by Adobe, which are accrued concurrently with the Company's recognition of revenue, amortization of typeface production costs, direct product costs and the costs of packaging and shipping.

INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 96,

"Accounting for Income Taxes." Deferred tax liabilities or assets at the end of each period are determined using the tax rate expected to be in effect when taxes are actually paid or recovered.

NET INCOME PER COMMON SHARE

Net income per common share is based upon weighted average common and dilutive equivalent shares outstanding using the treasury stock method. Dilutive common equivalent shares include stock options. Fully diluted earnings per share for the years ended November 29, 1991, November 30, 1990, and December 1, 1989, were not materially different than primary earnings per share.

NOTE 2. RECEIVABLES

A summary of receivables follows:

(In thousands)

Royalties
 Product sales
 Interest and other receivables

Less allowance for doubtful accounts

	<i>1991</i>	<i>1990</i>
	\$23,816	\$18,704
	12,061	10,580
	2,510	2,489
	38,387	31,773
	487	434
	<u>\$37,900</u>	<u>\$31,339</u>

The Company's concentration of credit risk in receivables is limited to dealers and distributors of hardware and software products to the retail market. The Company also licenses products to OEMs, with the largest OEM accounting for 11 percent, 23 percent and 25 percent of total revenue for 1991, 1990 and 1989, respectively. The receivable balance from this OEM approximated \$3,782,000 as of November 29, 1991.

NOTE 3. PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

(In thousands)

Computers and peripherals
Furniture and fixtures
Leasehold improvements

Less accumulated depreciation and amortization

	1991	1990
	\$24,701	\$17,553
	10,107	6,029
	2,158	1,172
	36,966	24,754
	19,330	12,650
	<u>\$17,636</u>	<u>\$12,104</u>

NOTE 4. OTHER ASSETS

During 1991, the Company licensed the rights to a patent covering color imaging technology for \$4,000,000, and signed an agreement with H. Berthold AG, which grants the Company exclusive rights to distribute the Berthold Exklusiv collection of typefaces in the Type 1 format for \$5,650,000.

The Company also entered into a real estate partnership to acquire land and develop office space. The Company is a limited partner and accounts for its investment under the equity method. In the future, the Company will record its share of partnership income and losses; however, based on the Company's current investment, loss recognition will be limited to \$6,000,000.

The Company has also entered into two 15-year operating leases with the partnership, whereby the Company will occupy certain buildings as they are completed.

During 1990, the Company purchased all of the outstanding shares of Emerald City Software and BluePoint Technologies Incorporated, for an aggregate purchase price of \$14.1 million. Of the excess of purchase price over net assets acquired, \$10.1 million was allocated to goodwill and the remaining \$4.0 million was allocated to technology. An additional \$1.7 million was allocated to goodwill as a result of establishing the related deferred tax liability in accordance with SFAS No. 96.

A summary follows:

(In thousands)

Acquired technology and goodwill
Licensing agreements
Investment in real estate partnership
Other

Less accumulated amortization

	1991	1990
	\$17,760	\$15,804
	17,376	5,182
	6,000	—
	3,100	2,205
	44,236	23,191
	9,425	3,469
	<u>\$34,811</u>	<u>\$19,722</u>

NOTE 5. ACCRUED EXPENSES

A summary of accrued expenses follows:

(In thousands)

	1991	1990
Rent	\$ 1,928	\$ 2,169
Royalties	7,767	5,640
Accrued compensation and benefits	6,870	5,183
Marketing development funds	2,637	1,806
Notes payable	—	1,817
Other	3,803	5,161
	<u>\$23,005</u>	<u>\$21,776</u>

NOTE 6. INCOME TAXES

The components of income tax expense are as follows:

(In thousands)

	Years Ended		
	1991	1990	1989
Current:			
U.S. Federal	\$21,251	\$20,150	\$17,337
Foreign	3,772	851	845
State and local	5,915	5,669	5,045
Total current	<u>30,938</u>	<u>26,670</u>	<u>23,227</u>
Deferred:			
U.S. Federal	1,053	(271)	(1,970)
State and local	—	(178)	(110)
Total deferred	<u>1,053</u>	<u>(449)</u>	<u>(2,080)</u>
	<u>\$31,991</u>	<u>\$26,221</u>	<u>\$21,147</u>

Total income tax expense differs from the expected tax expense (computed by applying the U.S. Federal income statutory tax rate of 34 percent to income before income taxes) principally due to state income taxes, net of Federal benefit.

Deferred income tax expense (benefit) represents the effect of changes in the amounts of temporary differences. The sources of the temporary differences for 1991, 1990 and 1989 arise principally from deferred revenue, typeface production costs and certain allowances and reserves.

NOTE 7. CAPITAL STOCK

The Company has authorized 2,000,000 shares of Preferred Stock and 100,000,000 shares of Common Stock.

The Company adopted an Employee Stock Purchase Plan on January 1, 1988. Under the terms of the plan, eligible employee participants purchase shares of Common Stock semiannually at the lower of 85 percent of the market price on either the purchase date or the offering date.

As of November 29, 1991, the Company had reserved 8,000,000 shares of Common Stock (1,000,000 of which are subject to shareholder approval) for issuance under its 1984 Stock Option Plan. This plan provides for the granting of stock options to employees and officers at the fair market value of the Company's Common Stock at the grant date. Options generally vest over three years: 25 percent in each of the first two years and 50 percent in the third year. All options have a five- or ten-year term.

	<i>Options Available for Grant</i>	<i>Options</i>	<i>Price per Share</i>
<i>Balances as of December 1, 1989</i>	359,586	3,058,172	\$.08-21.35
Increase in shares reserved	2,017,443	—	—
Options granted	(799,343)	799,343	18.75-40.00
Options exercised	—	(725,319)	.08-18.75
Options cancelled	99,480	(99,480)	6.56-40.00
<i>Balances as of November 30, 1990</i>	1,677,166	3,032,716	.08-40.00
Increase in shares reserved	1,000,000	—	—
Options granted	(874,130)	874,130	26.00-54.75
Options exercised	—	(1,097,625)	.08-24.13
Options cancelled	66,837	(66,837)	1.15-54.50
<i>Balances as of November 29, 1991</i> (1,051,119 options exercisable)	1,869,873	2,742,384	\$ 5.72-54.75

In 1987, the Company adopted the Restricted Stock Option Plan, which provides for the granting of nonqualified stock options to nonemployee directors and outside consultants. Option grants are limited to 5,000 shares per person in each fiscal year and are immediately exercisable within a ten-year term. Vesting is identical to the 1984 Stock Option Plan, as described above. As of November 29, 1991, 47,500 shares were outstanding under this plan, of which 16,250 are vested.

In 1989, the Company adopted a Restricted Stock Plan, which provides for granting of restricted stock to officers and key employees. Shares issued under this plan vest annually over three years, but are considered outstanding at the time of grant, as

the shareholders are entitled to dividends and voting rights. As of November 29, 1991, 275,970 shares had been granted to officers and key employees, 131,729 of which were vested. Compensation expense, which accrues as the shares vest, was \$2,184,000 in fiscal 1991.

On July 12, 1990, the Company adopted a shareholder rights plan. The plan is intended to protect shareholders from unfair or coercive takeover practices. In accordance with this plan, the Board of Directors declared a dividend distribution of one Common Stock purchase right on each outstanding share of its Common Stock held as of July 24, 1990. Each right entitles the registered holder to purchase from the Company a share of Common Stock at \$230. The rights will not be exercisable until certain events occur. The rights are redeemable by the Company and expire July 24, 2000.

NOTE 8. SUPPLEMENTARY INCOME STATEMENT INFORMATION

The following items are included in costs and expenses in the accompanying consolidated statements of income:

<i>(In thousands)</i>	<i>Years Ended</i>		
	<i>1991</i>	<i>1990</i>	<i>1989</i>
Maintenance and repairs	\$ 1,593	\$ 1,078	\$ 892
Depreciation and amortization	6,680	4,855	3,732
Amortization of typeface production costs	2,608	2,286	1,896
Royalties	22,081	16,898	12,605
Advertising	5,866	4,433	3,153
Amortization of technology and goodwill	5,956	3,984	107

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Company has operating leases for the corporate headquarters, field sales offices and certain office equipment that expire at various dates through 2011. Rent expense for these leases aggregated \$5,814,000, \$4,955,000 and \$3,309,000 during the years ended November 29, 1991, November 30, 1990, and December 1, 1989, respectively. As of November 29, 1991, future minimum lease payments under noncancellable operating leases equalled the amounts shown on the adjacent table.

Approximately \$202,000,000 of minimum lease payments included above relate to new facilities (Note 4) and are expected to begin midyear 1994.

The Company is engaged in certain legal actions arising in the ordinary course of business. The Company believes it has adequate legal defenses and believes that the ultimate outcome of the actions will not have a material adverse effect on the Company's financial position.

<i>(In thousands)</i>	1992	\$ 6,965
	1993	6,067
	1994	10,180
	1995	15,035
	1996	15,033
	1997 and beyond	178,192
<i>Total minimum lease payments</i>		\$231,472

To the Board of Directors and Shareholders of Adobe Systems Incorporated:

We have audited the accompanying consolidated balance sheets of Adobe Systems Incorporated and subsidiaries as of November 29, 1991, and November 30, 1990, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended November 29, 1991. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adobe Systems Incorporated and subsidiaries as of November 29, 1991, and November 30, 1990, and the results of their operations and their cash flows for each of the years in the three-year period ended November 29, 1991, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK
San Jose, California
December 20, 1991

QUARTERLY RESULTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)	1991				Year Ended November 29,
	March 1,	May 31,	August 30,	November 29,	
Revenue	\$52,600	\$ 57,083	\$57,230	\$62,740	\$ 229,653
Income before income taxes	20,533	21,918	20,285	20,862	83,598
Net income	12,424	13,260	12,780	13,143	51,607
Net income per share	\$.55	\$.58	\$.55	\$.57	\$ 2.25
Shares used in per share calculation	22,446	22,946	23,097	23,209	22,941
Common Stock price per share:					
High	\$ 48¾	\$ 63	\$ 60	\$ 57¾	\$ 63
Low	25¼	44¾	43¼	42¼	25¼

	1990				Year Ended November 30,
	March 2,	June 1,	August 31,	November 30,	
Revenue	\$ 37,181	\$35,347	\$42,832	\$53,370	\$168,730
Income before income taxes	17,192	12,986	16,399	19,714	66,291
Net income	10,142	7,883	10,003	12,042	40,070
Net income per share	\$.48	\$.36	\$.45	\$.55	\$ 1.83
Shares used in per share calculation	21,272	22,125	22,061	21,878	21,923
Common Stock price per share:					
High	\$ 30¾	\$ 50¾	\$ 39¾	\$ 30	\$ 50¾
Low	16¼	30¾	23¼	17	16¼

	1989				Year Ended December 1,
	March 3,	June 2,	September 1,	December 1,	
Revenue	\$25,539	\$28,089	\$30,027	\$37,703	\$121,358
Income before income taxes	11,720	12,959	14,011	16,163	54,853
Net income	6,985	7,576	9,104	10,041	33,706
Net income per share	\$.32	\$.35	\$.41	\$.48	\$ 1.55
Shares used in per share calculation	21,864	21,891	21,948	21,051	21,718
Common Stock price per share:					
High	\$ 26	\$ 30	\$ 29¾	\$ 25¼	\$ 30
Low	19½	18½	22	14	14

The Company's stock is traded on the NASDAQ National Market System under the symbol ADBE. On January 10, 1992, there were 914 holders of record of the Company's Common Stock.

BOARD OF DIRECTORS

John E. Warnock
*Chairman of the Board and
Chief Executive Officer*

Charles M. Geschke
*President and
Chief Operating Officer*

William R. Hambrecht
Director

L. William Krause
Director

Robert Sedgewick
Director

Delbert W. Yocam
Director

TRANSFER AGENT/REGISTRAR

Manufacturers Hanover
Trust Company
San Francisco, California

STOCK EXCHANGE LISTING

NASDAQ
National Market System
Ticker Symbol ADBE

INDEPENDENT ACCOUNTANTS

KPMG Peat Marwick
San Jose, California

FORM 10-K

A copy of the company's
Annual Report to the
Securities and Exchange
Commission (Form 10-K)
is available free of charge
by writing or calling:
Finance Department
Adobe Systems Incorporated
1585 Charleston Road
P.O. Box 7900
Mountain View, California
94039-7900
(415) 961-4400

ANNUAL MEETING

The company's Annual
Meeting of Shareholders
will be held at 1:30 p.m.
on Tuesday, April 14, 1992,
at the Fairmont Hotel,
San Jose, California.

EXECUTIVE OFFICERS



John E. Warnock
*Chairman of the Board and
Chief Executive Officer*



Charles M. Geschke
*President and
Chief Operating Officer*



Stephen A. MacDonald
*Senior Vice President
and General Manager,
Systems Products Division*



M. Bruce Nakao
*Vice President, Chief
Financial Officer, Treasurer
and Assistant Secretary*



Colleen M. Pouliot
General Counsel and Secretary



David B. Pratt
*Vice President
and General Manager,
Application Products Division*



R. Daniel Putman
*Senior Vice President,
New Product Development*



ADOBE SYSTEMS INCORPORATED

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