

Software Publishing Corporation

Software Publishing Corporation
1901 Landings Drive, Mountain View CA 94043

First Quarter Report
Period Ending
December 31, 1984

To Our Shareholders

On December 31, 1984, we ended our first quarter of Fiscal 1985 and our first quarter as a public company. I am pleased to report that we achieved sales of \$11,454,000 and profits of \$2,366,000, or \$.40 per share. These results are in line with our expectations for this first quarter and represent increases of 105% and 114% in sales and profits respectively over the year earlier first quarter of Fiscal 1984.

We attribute this growth to across the board strength for all products in the PFS: software line sold through both retail and OEM channels. The proprietary versions of the PFS: products licensed to IBM and sold under the IBM "Assistant Series" brand are also significant contributors to the quarter's growth.

As stated in our prospectus dated November 15, 1984, we believe that industry sales of applications software for personal computers sold through retail channels are seasonal, and generally increase during the business year-end and holiday season in the December quarter and are followed by a post-holiday slow down in the March quarter. We believe that operating results in Fiscal 1985 and specifically in the March quarter will reflect this seasonal retail sales pattern.

Our mission continues to be to produce the highest quality productivity software for personal computers optimized for simplicity and ease of use. We emphasize value and customer satisfaction in everything we do. We believe that market leadership for Software Publishing Corporation products will continue as a result of these practices.

Sincerely yours,



Fred M. Gibbons
President

Condensed Statement of Income (Unaudited)

| | Quarter ended December 31 | |
|--|------------------------------|-------------|
| | 1984 | 1983 |
| Revenues | \$11,454,000 | \$5,577,000 |
| Costs and expenses: | | |
| Cost of sales | 1,796,000 | 940,000 |
| Marketing and sales | 3,605,000 | 1,864,000 |
| Research and development | 1,209,000 | 557,000 |
| General and administrative | 702,000 | 256,000 |
| Total costs and expenses | \$ 7,312,000 | \$3,617,000 |
| Income from operations | 4,142,000 | 1,960,000 |
| Interest and other income | 278,000 | 47,000 |
| Income before provision for income taxes | 4,420,000 | 2,007,000 |
| Provision for income taxes | 2,054,000 | 903,000 |
| Net income | \$ 2,366,000 | \$1,104,000 |
| Net income per share | \$.40 | \$.21 |
| Weighted average shares outstanding | 5,956,000 | 5,243,000 |

Condensed Balance Sheet (Unaudited)

| | Quarter ended December 31 | |
|---|------------------------------|-------------|
| | 1984 | 1983 |
| Assets | | |
| Cash and cash equivalents | \$19,460,000 | \$3,220,000 |
| Accounts receivable | 3,576,000 | 2,769,000 |
| Inventories | 486,000 | 349,000 |
| Prepaid expenses and other current assets | 912,000 | 82,000 |
| Total current assets | \$24,434,000 | \$6,420,000 |
| Fixed and other assets | 1,566,000 | 660,000 |
| | \$26,000,000 | \$7,080,000 |

Liabilities and Shareholders' Equity

| | | |
|----------------------------|--------------|-------------|
| Trade accounts payable | \$ 1,092,000 | \$ 786,000 |
| Accrued profit sharing | 440,000 | 201,000 |
| Other accrued expenses | 608,000 | 193,000 |
| Deferred revenue | 1,644,000 | 103,000 |
| Income taxes payable | 2,699,000 | 1,184,000 |
| Total current liabilities | \$ 6,483,000 | \$2,467,000 |
| Preferred stock | — | 1,250,000 |
| Common stock | 11,431,000 | 152,000 |
| Retained earnings | 8,086,000 | 3,211,000 |
| Total shareholders' equity | \$19,517,000 | \$4,613,000 |
| | \$26,000,000 | \$7,080,000 |