FOR IMMEDIATE RELEASE

Adobe Provides Preliminary Q4 Fiscal 2008 Results

Company Announces Restructuring to Reduce Expenses; Provides Q1 FY2009 Targets


Based on preliminary Q4 financial information, Adobe believes it will achieve fourth quarter fiscal 2008 revenue in the range of $912 million to $915 million. The Company also believes it will achieve GAAP diluted earnings per share in the range of $0.45 to $0.46, and non-GAAP diluted earnings per share in the range of $0.59 to $0.60. The GAAP and non-GAAP diluted earnings per share estimates include two favorable tax items: a current quarter catch-up related to the reinstatement of the U.S. research and development credit and a favorable tax court settlement, which increased Q4 estimated GAAP and non-GAAP diluted earnings per share ranges by approximately $0.05.

Adobe's fourth quarter revenue target range was $925 million to $955 million, and its fourth quarter diluted earnings per share target ranges were $0.39 to $0.41 on a GAAP basis, and $0.51 to $0.53 on a non-GAAP basis. A reconciliation of preliminary GAAP and non-GAAP financial results is available later in this press release.

“The global economic crisis significantly impacted our revenue during the fourth quarter,” said Shantanu Narayen, president and chief executive officer. “We have taken action to reduce our operating costs and fine-tune the focus of our resources on key strategic priorities.”

The Company cited weaker-than-expected demand for its new Creative Suite 4 family of products that began shipping in Q4 in North America and Europe as the main cause for the shortfall in fourth quarter revenue.

Adobe also announced the implementation of a restructuring program, and has taken steps to reduce its headcount by approximately 600 full-time positions globally. The restructuring will result in anticipated pre-tax charges totaling approximately $44 million to $50 million. The Company expects approximately $28 million to $30 million of the restructuring charges to be recorded in the fourth quarter of fiscal year 2008.

Adobe also provided initial financial targets for its first quarter of fiscal year 2009. The Company stated it is targeting Q1 revenue of $800 million to $850 million. In addition, the Company said it is targeting a Q1 GAAP operating
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margin range of 26 percent to 28 percent, and a Q1 non-GAAP operating margin range of 37 percent to 38 percent. A reconciliation of GAAP and non-GAAP financial targets is available later in this press release.

The Company will discuss its quarterly and full-year results as well as its Q1 financial targets and the restructuring program on its Q4 and fiscal year 2008 earnings conference call that is scheduled for Dec. 16, 2008.

Forward-Looking Statements Disclosure

This press release contains forward-looking statements, including those related to revenue, earnings per share, operating margin, business momentum, the anticipated size of Adobe’s restructuring, the expected timing of the completion of the restructuring and the estimated charges associated with such restructuring, which 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 or political conditions in any of the major countries in which Adobe does business, delays in development or shipment of Adobe’s new products or major new versions of existing products, introduction of new products and business models by existing and new competitors, failure to successfully manage transitions to new business models and markets, failure to anticipate and develop new products and services in response to changes in demand for application software and software delivery, computers, printers, or other non PC-devices, difficulty in predicting revenue from new businesses, costs related to intellectual property acquisitions, disputes and litigation, inability to protect Adobe’s intellectual property from third-party infringers, use, disclosure or malicious attack, failure to realize the anticipated benefits of past or future acquisitions and difficulty in integrating such acquisitions, failure to manage Adobe’s sales and distribution channels effectively, disruption of Adobe’s business due to catastrophic events, risks associated with international operations, fluctuations in foreign currency exchange rates, changes in, or interpretations of, accounting principles, impairment of Adobe’s goodwill or intangible assets, unanticipated changes in, or interpretations of, tax rules and regulations, Adobe’s inability to attract and retain key personnel, impairment of Adobe’s investment portfolio due to further deterioration of the capital markets, market risks associated with Adobe’s equity investments, and interruptions or terminations in Adobe’s relationships with turnkey assemblers. For further discussion of these and other risks and uncertainties, individuals should refer to Adobe’s SEC filings.

The financial information set forth in this press release reflects estimates based on information available at this time. These amounts could differ from actual reported amounts stated in Adobe’s fourth quarter and fiscal year 2008 earnings report on Dec. 16, 2008, and in our Annual Report on Form 10-K for our fiscal year ended Nov. 28, 2008, which the Company expects to file in January 2009. Adobe does not undertake an obligation to update forward-looking statements.

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