FOR IMMEDIATE RELEASE

Adobe Systems Reports First Quarter Results

Company Readies for Biggest Product Launch in its History


In the first quarter of fiscal 2007, Adobe achieved revenue of $649.4 million, compared to $655.5 million reported for the first quarter of fiscal 2006 and $682.2 million reported in the fourth quarter of fiscal 2006. Adobe's first quarter revenue target range was $640 to $670 million.

"Q1 was a solid quarter for Adobe, as we came in at the high end of our earnings target range and were within our targeted range for revenue," said Bruce Chizen, chief executive officer of Adobe. "As Adobe prepares for the biggest product launch in our history, we are excited about our opportunities and bullish about our prospects for another year of strong performance."

GAAP Results

Adobe's GAAP diluted earnings per share for the first quarter of fiscal 2007 were $0.24, based on 604.2 million weighted average shares. This compares with GAAP diluted earnings per share of $0.17 reported in the first quarter of fiscal 2006, based on 621.8 million weighted average shares, and GAAP diluted earnings per share of $0.30 reported in the fourth quarter of fiscal 2006, based on 602.2 million weighted average shares. Adobe's first quarter of fiscal 2007 GAAP earnings per share target range was $0.17 to $0.20.

GAAP operating income was $146.3 million in the first quarter of fiscal 2007, compared to $130.0 million in the first quarter of fiscal 2006 and $163.4 million in the fourth quarter of fiscal 2006. As a percent of revenue, GAAP operating income in the first quarter of fiscal 2007 was 22.5 percent, compared to 19.8 percent in the first quarter of fiscal 2006 and 23.9 percent in the fourth quarter of fiscal 2006.

GAAP net income was $143.9 million for the first quarter of fiscal 2007, compared to $105.1 million reported in the first quarter of fiscal 2006, and $183.2 million in the fourth quarter of fiscal 2006.
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Non-GAAP Results

Non-GAAP diluted earnings per share for the first quarter of fiscal 2007 were $0.30. This compares with non-GAAP diluted earnings per share of $0.32 reported in the first quarter of fiscal 2006, and non-GAAP diluted earnings per share of $0.33 reported in the fourth quarter of fiscal 2006. Adobe’s first quarter non-GAAP earnings per share target range was $0.28 to $0.30.

Adobe’s non-GAAP operating income was $222.5 million in the first quarter of fiscal 2007, compared to $252.4 million in the first quarter of fiscal 2006 and $255.8 million in the fourth quarter of fiscal 2006. As a percent of revenue, non-GAAP operating income in the first quarter of fiscal 2007 was 34.3 percent, compared to 38.5 percent in the first quarter of fiscal 2006 and 37.5 percent in the fourth quarter of fiscal 2006.

Non-GAAP net income was $182.3 million for the first quarter of fiscal 2007, compared to $197.5 million in the first quarter of fiscal 2006, and $198.3 million in the fourth quarter of fiscal 2006.

A reconciliation between GAAP and non-GAAP results is provided at the end of this press release.

Adobe Provides Second Quarter Financial Targets and Reaffirms Fiscal Year 2007 Financial Targets

For the second quarter of fiscal 2007, Adobe announced it is targeting revenue of $700 million to $740 million. The Company also is targeting a GAAP operating margin of approximately 23 to 25 percent in the second quarter. On a non-GAAP basis, the Company is targeting a second quarter operating margin of approximately 36 to 37 percent.

In addition, Adobe is targeting its share count to be between 605 million and 607 million shares in the second quarter of fiscal 2007. The Company also is targeting other income in its second quarter to be approximately $23 million to $24 million, with a GAAP tax rate of approximately 24 to 26 percent and a non-GAAP tax rate of approximately 25 to 27 percent.

These targets lead to a second quarter GAAP earnings per share target range of approximately $0.23 to $0.26. On a non-GAAP basis, the Company is targeting earnings per share of approximately $0.34 to $0.36.

For fiscal year 2007, Adobe announced it is reaffirming its annual revenue growth target of approximately 15 percent. The Company also reaffirmed it is targeting a GAAP operating margin of approximately 25 to 27 percent, and a non-GAAP operating margin of approximately 37 to 38 percent.

A reconciliation between GAAP and non-GAAP targets is provided at the end of this press release.

Forward Looking Statements Disclosure

This press release contains forward looking statements, including those related to revenue, operating margin, other income, tax rate, share count and earnings per share, 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: delays in development or shipment of Adobe’s new products or major new versions of existing products, introduction
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of new products by existing and new competitors, failure to successfully manage transitions to new business models and markets, adverse changes in general economic or political conditions in any of the major countries in which Adobe does business, difficulty in predicting revenue from new businesses, failure to anticipate and develop new products in response to changes in demand for application software, computers, printers, or other non PC-devices, costs related to intellectual property acquisitions, disputes and litigation, inability to protect Adobe’s intellectual property from unauthorized copying, use, disclosure or malicious attack, failure to realize the anticipated benefits of past or future acquisitions and difficulty in integrating such acquisitions, changes to Adobe’s distribution channel, disruption of Adobe’s business due to catastrophic events, interruptions or terminations in Adobe’s relationships with turnkey assemblers, 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, Adobe’s effective tax rates, Adobe’s inability to attract and retain key personnel, and market risks associated with Adobe’s equity investments. 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 Quarterly Report on Form 10-Q for the first quarter ended March 2, 2007, which the company expects to file in April, 2007. Adobe does not undertake an obligation to update forward looking statements.

About Adobe Systems Incorporated

Adobe revolutionizes how the world engages with ideas and information – anytime, anywhere, and through any medium. For more information, visit www.adobe.com.

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