FOR IMMEDIATE RELEASE

Adobe Reports Strong Second Quarter Results

Product Mix and Geographic Diversity Drive 19 Percent Year-Over-Year Revenue Growth


In the second quarter of fiscal 2008, Adobe achieved revenue of $886.9 million, compared to $745.6 million reported for the second quarter of fiscal 2007 and $890.4 million reported in the first quarter of fiscal 2008. This represents 19 percent year-over-year revenue growth. Adobe’s second quarter revenue target range was $855 to $885 million.

“Our strong performance in Q2 was driven by the product mix and geographic diversity of our business,” said Shantanu Narayen, president and chief executive officer. “We continue to execute against our strategy, and are well positioned for solid financial performance in the second half of this year and beyond.”

Second Quarter GAAP Results

Adobe’s GAAP diluted earnings per share for the second quarter of fiscal 2008 were $0.40, based on 542.4 million weighted average shares. This compares with GAAP diluted earnings per share of $0.25 reported in the second quarter of fiscal 2007 based on 603.4 million weighted average shares, and GAAP diluted earnings per share of $0.38 reported in the first quarter of fiscal 2008 based on 571.3 million weighted average shares. Adobe’s second quarter GAAP earnings per share target range was $0.35 to $0.37.

GAAP operating income was $260.2 million in the second quarter of fiscal 2008, compared to $180.4 million in the second quarter of fiscal 2007 and $275.4 million in the first quarter of fiscal 2008. As a percent of revenue, GAAP operating income in the second quarter of fiscal 2008 was 29.3 percent, compared to 24.2 percent in the second quarter of fiscal 2007 and 30.9 percent in the first quarter of fiscal 2008.

GAAP net income was $214.9 million for the second quarter of fiscal 2008, compared to $152.5 million reported in the second quarter of fiscal 2007, and $219.4 million in the first quarter of fiscal 2008.
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Second Quarter Non-GAAP Results

Non-GAAP diluted earnings per share for the second quarter of fiscal 2008 were $0.50. This compares with non-GAAP diluted earnings per share of $0.37 reported in the second quarter of fiscal 2007, and non-GAAP diluted earnings per share of $0.48 reported in the first quarter of fiscal 2008. Adobe’s second quarter non-GAAP earnings per share target range was $0.45 to $0.47.

Adobe’s non-GAAP operating income was $349.6 million in the second quarter of fiscal 2008, compared to $282.1 million in the second quarter of fiscal 2007 and $359.0 million in the first quarter of fiscal 2008. As a percent of revenue, non-GAAP operating income in the second quarter of fiscal 2008 was 39.4 percent, compared to 37.8 percent in the second quarter of fiscal 2007 and 40.3 percent in the first quarter of fiscal 2008.

Non-GAAP net income was $272.7 million for the second quarter of fiscal 2008, compared to $223.2 million in the second quarter of fiscal 2007, and $273.0 million in the first quarter of fiscal 2008.

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

Adobe Provides Third Quarter Financial Targets

For the third quarter of fiscal 2008, Adobe announced it is targeting revenue of $855 million to $885 million. The Company also stated it is targeting an operating margin of approximately 29 percent on a GAAP basis, and an operating margin of approximately 38.5 percent on a non-GAAP basis.

In addition, Adobe is targeting its share count to be between 544 million and 548 million shares in the third quarter. The Company also is targeting GAAP and non-GAAP non-operating income to be approximately $4 million. Adobe’s GAAP tax rate is expected to be approximately 25 percent, and its non-GAAP tax rate is expected to be approximately 26 percent.

These targets lead to a third quarter diluted earnings per share target range of $0.34 to $0.36 on a GAAP basis, and a earnings per share target range of $0.45 to $0.47 on a non-GAAP basis.

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

Third quarter financial targets do not include the impact of a $90 million acquisition of intellectual property rights closed in June, which Adobe believes will not affect the Company’s non-GAAP targets.

Forward-Looking Statements Disclosure

This press release contains forward-looking statements, including those related to revenue, operating margin, non-operating income, tax rate, share count, earnings per share, and business momentum which involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such
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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 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, 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, 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, changes to Adobe’s distribution channel, 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 our 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 Quarterly Report on Form 10-Q for the second quarter ended May 30, 2008, which the Company expects to file in July 2008. Adobe does not undertake an obligation to update forward-looking statements.

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