FOR IMMEDIATE RELEASE

Adobe Reports Solid Third Quarter Financial Results

Company Achieves 24 Percent Year-Over-Year Revenue Growth

SAN JOSE, Calif. — September 14, 2006 — Adobe Systems Incorporated (Nasdaq:ADBE) today reported financial results for its third quarter ended September 1, 2006. The Company’s Q3 results reflect the acquisition of Macromedia in December, 2005, and are compared to pre-acquisition results of prior fiscal periods as applicable.

In the third quarter of fiscal 2006, Adobe achieved revenue of $602.2 million, compared to $487.0 million reported for the third quarter of fiscal 2005 and $635.5 million reported in the second quarter of fiscal 2006. On a year-over-year basis, this represents 24 percent revenue growth. Adobe’s third quarter revenue target range was $580 to $610 million.

“Q3 was a solid quarter for Adobe with revenue and earnings near or above the high end of our financial target ranges,” said Bruce R. Chizen, Adobe chief executive officer. “With new products launching this quarter, our outlook for the remainder of the year remains positive.”

GAAP diluted earnings per share for the third quarter of fiscal 2006 were $0.16. Adobe’s third quarter GAAP EPS target range was $0.13 to $0.16.

Non-GAAP diluted earnings per share, which excludes amortization of purchased intangibles, amortization of Macromedia deferred compensation, restructuring charges related to the Macromedia acquisition, a charge for incomplete technology related to a small acquisition, SFAS 123R stock-based compensation, tax differences due to the timing and deductibility of the Macromedia acquisition-related charges and SFAS 123R stock-based compensation, and investment losses, were $0.29. Adobe’s third quarter non-GAAP EPS target range was $0.25 to $0.27.

GAAP net income was $94.4 million for the third quarter of fiscal 2006, compared to $144.9 million reported in the third quarter of fiscal 2005, and $123.1 million in the second quarter of fiscal 2006. Non-GAAP net income, which excludes, as applicable, amortization of purchased intangibles, amortization of Macromedia deferred compensation, restructuring charges related to the Macromedia acquisition, a charge for incomplete technology related to a small acquisition, SFAS 123R stock-based compensation, tax differences due to the timing and deductibility of the Macromedia acquisition-related charges and SFAS 123R stock-based compensation, and investment gains and losses,
was $171.5 million for the third quarter of fiscal 2006, compared to $146.4 million in the third quarter of fiscal 2005, and $189.4 million in the second quarter of fiscal 2006.

GAAP diluted earnings per share for the third quarter of fiscal 2006 were $0.16 based on 600.9 million weighted average shares. This compares with GAAP diluted earnings per share of $0.29 reported in the third quarter of fiscal 2005, based on 507.8 million weighted average shares, and GAAP diluted earnings per share of $0.20 reported in the second quarter of fiscal 2006, based on 613.8 million weighted average shares.

Adobe’s GAAP operating income was $110.0 million in the third quarter of fiscal 2006, compared to $183.6 million in the third quarter of fiscal 2005 and $147.9 million in the second quarter of fiscal 2006. As a percent of revenue, GAAP operating income in the third quarter of fiscal 2006 was 18.3 percent, compared to 37.7 percent in the third quarter of fiscal 2005 and 23.3 percent in the second quarter of fiscal 2006.

Adobe’s non-GAAP operating income, which excludes, as applicable, amortization of purchased intangibles, amortization of Macromedia deferred compensation, restructuring charges related to the Macromedia acquisition, a charge for incomplete technology related to a small acquisition, and SFAS 123R stock-based compensation was $207.2 million in the third quarter of fiscal 2006, compared to $183.6 million in the third quarter of fiscal 2005 and $243.1 million in the second quarter of fiscal 2006. As a percent of revenue, non-GAAP operating income in the third quarter of fiscal 2006 was 34.4 percent, compared to 37.7 percent in the third quarter of fiscal 2005 and 38.3 percent in the second quarter of fiscal 2006.

Adobe Provides Fourth Quarter FY2006 Financial Targets

For the fourth quarter of fiscal 2006, Adobe announced it is targeting revenue of $655 million to $685 million. The Company also is targeting a GAAP operating margin of approximately 21 to 24 percent in the fourth quarter. On a non-GAAP basis, which excludes acquisition-related costs and SFAS 123R stock-based compensation, the Company is targeting a fourth quarter operating margin of approximately 37 to 38 percent.

In addition, Adobe is targeting its share count to be between 600 million and 602 million shares in the fourth quarter of fiscal 2006. The Company also is targeting other income in its fourth quarter to be approximately $16 million to $18 million, with a GAAP and non-GAAP tax rate of approximately 26 percent.

These targets lead to a fourth quarter GAAP earnings per share target range of approximately $0.19 to $0.22. On a non-GAAP basis, which excludes acquisition-related costs, SFAS 123R stock-based compensation, and tax differences related to the timing and deductibility of the Macromedia acquisition-related charges and SFAS 123R stock-based compensation, the Company is targeting earnings per share of approximately $0.32 to $0.34.
Forward Looking Statements Disclosure

This press release contains forward looking statements, including those related to planned product releases, 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: 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 by existing and new competitors, failure to successfully manage transitions to new business models and markets, difficulty in predicting revenue from new businesses, failure to anticipate and develop new products in response to changes in demand for application software, computers and printers, intellectual property 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 rules and regulations, impairment of Adobe’s goodwill or intangible assets, unanticipated changes in 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. Adobe does not undertake an obligation to update forward looking statements.

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