FOR IMMEDIATE RELEASE

Adobe Reports Strong Q3 Financial Results

Revenue and Earnings Performance Driven by Record Acrobat and LiveCycle Revenue


In the third quarter of fiscal 2008, Adobe achieved revenue of $887.3 million, compared to $851.7 million reported for the third quarter of fiscal 2007 and $886.9 million reported in the second quarter of fiscal 2008. Adobe’s third quarter revenue target range was $855 to $885 million.

“Our strong performance in Q3 was driven by record revenue for our Acrobat and LiveCycle products, as well as the overall diversity of our business,” said Shantanu Narayen, president and chief executive officer. “We continue to execute exceptionally well against our strategy, and we look forward to the launch of our flagship Creative Suite 4 product family next week.”

Third Quarter GAAP Results

Adobe’s GAAP diluted earnings per share for the third quarter of fiscal 2008 were $0.35, based on 541.3 million weighted average shares. This compares with GAAP diluted earnings per share of $0.34 reported in the third quarter of fiscal 2007 based on 597.3 million weighted average shares, and GAAP diluted earnings per share of $0.40 reported in the second quarter of fiscal 2008 based on 542.4 million weighted average shares. Adobe’s third quarter GAAP earnings per share target range was $0.34 to $0.36.

GAAP operating income was $219.5 million in the third quarter of fiscal 2008, compared to $255.0 million in the third quarter of fiscal 2007 and $260.2 million in the second quarter of fiscal 2008. As a percent of revenue, GAAP operating income in the third quarter of fiscal 2008 was 24.7 percent, compared to 29.9 percent in the third quarter of fiscal 2007 and 29.3 percent in the second quarter of fiscal 2008.

GAAP net income was $191.6 million for the third quarter of fiscal 2008, compared to $205.2 million reported in the third quarter of fiscal 2007 and $214.9 million in the second quarter of fiscal 2008.
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Third Quarter Non-GAAP Results

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

Adobe’s non-GAAP operating income was $351.9 million in the third quarter of fiscal 2008, compared to $340.9 million in the third quarter of fiscal 2007 and $349.6 million in the second quarter of fiscal 2008. As a percent of revenue, non-GAAP operating income in the third quarter of fiscal 2008 was 39.7 percent, compared to 40.0 percent in the third quarter of fiscal 2007 and 39.4 percent in the second quarter of fiscal 2008.

Non-GAAP net income was $269.1 million for the third quarter of fiscal 2008, compared to $269.4 million in the third quarter of fiscal 2007, and $272.7 million in the second quarter of fiscal 2008.

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

Adobe Provides Fourth Quarter Financial Targets

For the fourth quarter of fiscal 2008, Adobe announced it is targeting revenue of $925 million to $955 million. The Company also stated it is targeting an operating margin of approximately 30.5 percent on a GAAP basis, and an operating margin of approximately 39.5 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 fourth quarter. The Company also is targeting GAAP and non-GAAP non-operating income to be between $6 million and $7 million. Adobe’s GAAP and non-GAAP tax rates are expected to be approximately 25 percent.

These targets lead to a fourth quarter diluted earnings per share target range of $0.39 to $0.41 on a GAAP basis, and an earnings per share target range of $0.51 to $0.53 on a non-GAAP basis.

A reconciliation between these GAAP and non-GAAP financial 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, 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 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, 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 Quarterly Report on Form 10-Q for the
third quarter ended Aug. 29, 2008, which the Company expects to file in October 2008. Adobe does not undertake an
obligation to update forward-looking statements.

About Adobe Systems Incorporated

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