FOR IMMEDIATE RELEASE

Adobe Reports Record Quarterly and Fiscal Year Revenue

Strong Adoption of Creative Suite, Acrobat and Enterprise Solutions Drives 23 Percent Annual Revenue Growth


In the fourth quarter of fiscal 2007, Adobe achieved record revenue of $911.2 million, compared to $682.2 million reported for the fourth quarter of fiscal 2006 and $851.7 million reported in the third quarter of fiscal 2007. This represents 34 percent year-over-year revenue growth. Adobe’s fourth quarter revenue target range was $860 to $890 million.

“Driving our Q4 results were continued adoption of our Creative Suite 3 family of products, record revenue for Acrobat and strong momentum in our enterprise business,” said Shantanu Narayen, president and chief executive officer of Adobe. “As we enter fiscal 2008, we are performing exceptionally well and the Company is positioned to achieve a sixth consecutive year of double-digit growth.”

Adobe Reports Record Annual Revenue in Fiscal Year 2007

In fiscal year 2007, Adobe achieved record revenue of $3.158 billion, compared to $2.575 billion in fiscal 2006. On a year-over-year basis, annual revenue grew 23 percent.

Adobe’s annual GAAP net income was $723.8 million in fiscal 2007, compared to $505.8 million in fiscal 2006. Adobe’s annual non-GAAP net income was $965.8 million in fiscal 2007, compared to $757.3 million in fiscal 2006.

GAAP diluted earnings per share for fiscal 2007 were $1.21, compared to $0.83 in fiscal 2006. Non-GAAP diluted earnings per share for fiscal 2007 were $1.61, compared to $1.24 in fiscal 2006.
Adobe Reports Record Quarterly and Fiscal Year Revenue

Fourth Quarter GAAP Results

Adobe’s GAAP diluted earnings per share for the fourth quarter of fiscal 2007 were $0.38, based on 587.9 million weighted average shares. This compares with GAAP diluted earnings per share of $0.30 reported in the fourth quarter of fiscal 2006 based on 602.2 million weighted average shares, and GAAP diluted earnings per share of $0.34 reported in the third quarter of fiscal 2007 based on 597.3 million weighted average shares. Adobe’s fourth quarter GAAP earnings per share target range was $0.35 to $0.37.

GAAP operating income was $275.8 million in the fourth quarter of fiscal 2007, compared to $163.4 million in the fourth quarter of fiscal 2006 and $255.0 million in the third quarter of fiscal 2007. As a percent of revenue, GAAP operating income in the fourth quarter of fiscal 2007 was 30.3 percent, compared to 23.9 percent in the fourth quarter of fiscal 2006 and 29.9 percent in the third quarter of fiscal 2007.

GAAP net income was $222.2 million for the fourth quarter of fiscal 2007, compared to $183.2 million reported in the fourth quarter of fiscal 2006, and $205.2 million in the third quarter of fiscal 2007.

Fourth Quarter Non-GAAP Results

Non-GAAP diluted earnings per share for the fourth quarter of fiscal 2007 were $0.49. This compares with non-GAAP diluted earnings per share of $0.33 reported in the fourth quarter of fiscal 2006, and non-GAAP diluted earnings per share of $0.45 reported in the third quarter of fiscal 2007. Adobe’s fourth quarter non-GAAP earnings per share target range was $0.46 to $0.48.

Adobe’s non-GAAP operating income was $362.2 million in the fourth quarter of fiscal 2007, compared to $256.4 million in the fourth quarter of fiscal 2006 and $340.9 million in the third quarter of fiscal 2007. As a percent of revenue, non-GAAP operating income in the fourth quarter of fiscal 2007 was 39.7 percent, compared to 37.6 percent in the fourth quarter of fiscal 2006 and 40.0 percent in the third quarter of fiscal 2007.

Non-GAAP net income was $289.6 million for the fourth quarter of fiscal 2007, compared to $198.9 million in the fourth quarter of fiscal 2006, and $269.4 million in the third quarter of fiscal 2007.

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

Adobe Provides First Quarter and Fiscal Year 2008 Financial Targets

For the first quarter of fiscal 2008, Adobe announced it is targeting revenue of $855 million to $885 million. The Company is targeting a GAAP operating margin of 30 to 31 percent in the first quarter. On a non-GAAP basis, the Company is targeting a first quarter operating margin of approximately 40 percent.

In addition, Adobe is targeting its share count to be between 586 million and 588 million shares in the first quarter of fiscal 2008. The Company also is targeting other income in its first quarter to be $15 million to $17 million, with a GAAP and non-GAAP tax rate of approximately 27 percent.
Adobe Reports Record Quarterly and Fiscal Year Revenue

These targets lead to a first quarter GAAP earnings per share target range of $0.34 to $0.36. On a non-GAAP basis, the Company is targeting earnings per share of $0.44 to $0.46.

For fiscal year 2008, Adobe reaffirmed it is targeting annual revenue growth of approximately 13 percent. The Company is targeting a GAAP operating margin of approximately 30 percent, and a non-GAAP operating margin of approximately 39 percent.

A reconciliation between 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, other income, tax rate, share count, earnings per share, and anticipated 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 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 and services in response to changes in demand for application software and software delivery, 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, 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, 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 Annual Report on Form 10-K for the fiscal year ended Nov. 30, 2007, which the Company expects to file in January 2008. 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.