FOR IMMEDIATE RELEASE

Adobe Reports Record Quarterly and Annual Revenue

Company Achieves 13 Percent Annual Growth


In the fourth quarter of fiscal 2008, Adobe achieved record revenue of $915.3 million, compared to $911.2 million reported for the fourth quarter of fiscal 2007 and $887.3 million reported in the third quarter of fiscal 2008. The Company’s reported fourth quarter revenue was slightly above the preliminary revenue range of $912 million to $915 million it provided on Dec. 3, 2008.

“Despite a difficult economic environment in 2008, we were able to achieve record revenue and double digit growth for the sixth consecutive year,” said Shantanu Narayen, president and CEO. “In addition, our consistent execution and disciplined expense management enabled us to significantly exceed our profit targets. Although we expect 2009 will be a challenging year, we remain excited about the long term market trends driving our business, and are confident we will emerge from the current recession stronger than ever.”

Adobe Reports Record Annual Revenue in Fiscal Year 2008

In fiscal year 2008, Adobe achieved record revenue of $3.580 billion, compared to $3.158 billion in fiscal 2007. On a year-over-year basis, annual revenue grew 13 percent and was in line with the growth target the Company provided at the outset of the year.

Adobe’s annual GAAP net income was $871.8 million in fiscal 2008, compared to $723.8 million in fiscal 2007. Adobe’s annual non-GAAP net income was $1.136 billion in fiscal 2008, compared to $965.8 million in fiscal 2007.

GAAP diluted earnings per share for fiscal 2008 were $1.59, compared to $1.21 in fiscal 2007. Non-GAAP diluted earnings per share for fiscal 2008 were $2.07, compared to $1.61 in fiscal 2007.
Adobe’s GAAP diluted earnings per share for the fourth quarter of fiscal 2008 were $0.46, based on 534.9 million weighted average shares. This compares with GAAP diluted earnings per share of $0.38 reported in the fourth quarter of fiscal 2007 based on 587.9 million weighted average shares, and GAAP diluted earnings per share of $0.35 reported in the third quarter of fiscal 2008 based on 541.3 million weighted average shares.

GAAP operating income was $273.2 million in the fourth quarter of fiscal 2008, compared to $275.8 million in the fourth quarter of fiscal 2007 and $219.5 million in the third quarter of fiscal 2008. As a percent of revenue, GAAP operating income in the fourth quarter of fiscal 2008 was 29.8 percent, compared to 30.3 percent in the fourth quarter of fiscal 2007 and 24.7 percent in the third quarter of fiscal 2008.

GAAP net income was $245.9 million for the fourth quarter of fiscal 2008, compared to $222.2 million reported in the fourth quarter of fiscal 2007 and $191.6 million in the third quarter of fiscal 2008.

Fourth Quarter Fiscal 2008 Non-GAAP Results

Non-GAAP diluted earnings per share for the fourth quarter of fiscal 2008 were $0.60. This compares with non-GAAP diluted earnings per share of $0.49 reported in the fourth quarter of fiscal 2007 and non-GAAP diluted earnings per share of $0.50 reported in the third quarter of fiscal 2008.

Adobe’s non-GAAP operating income was $374.9 million in the fourth quarter of fiscal 2008, compared to $362.2 million in the fourth quarter of fiscal 2007 and $351.9 million in the third quarter of fiscal 2008. As a percent of revenue, non-GAAP operating income in the fourth quarter of fiscal 2008 was 41.0 percent, compared to 39.7 percent in both the fourth quarter of fiscal 2007 and the third quarter of fiscal 2008.

Non-GAAP net income was $320.9 million for the fourth quarter of fiscal 2008, compared to $289.6 million in the fourth quarter of fiscal 2007 and $269.1 million in the third quarter of fiscal 2008.

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

First Quarter Fiscal 2009 Financial Targets

For the first quarter of fiscal 2009, Adobe reaffirmed the financial targets that it previously provided on Dec. 3, 2008. The Company is targeting Q1 revenue of $800 million to $850 million, an operating margin of 26 percent to 28 percent on a GAAP basis, and an operating margin of 37 percent to 38 percent on a non-GAAP basis.

In addition, Adobe is targeting its share count to be between 530 million and 534 million shares in the first quarter. The Company also is targeting non-operating income to be between $3 million and $5 million. Adobe’s GAAP and non-GAAP tax rates are expected to be approximately 24 percent.
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These targets lead to a first quarter diluted earnings per share target range of $0.30 to $0.35 on a GAAP basis, and an earnings per share target range of $0.43 to $0.47 on a non-GAAP basis.

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 income, operating margin, non-operating income, tax rate, share count, earnings per share, business momentum and long-term market trends, 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, failure to develop, market and distribute new products or upgrades to existing products that meet customer requirements, introduction of new products and business models by existing and new competitors, failure to successfully manage transitions to new business models and markets, 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 Annual Report on Form 10-K for our fiscal year ended Nov. 28, 2008, which the Company expects to file in January 2009. Adobe does not undertake an obligation to update forward-looking statements.

About Adobe Systems Incorporated

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