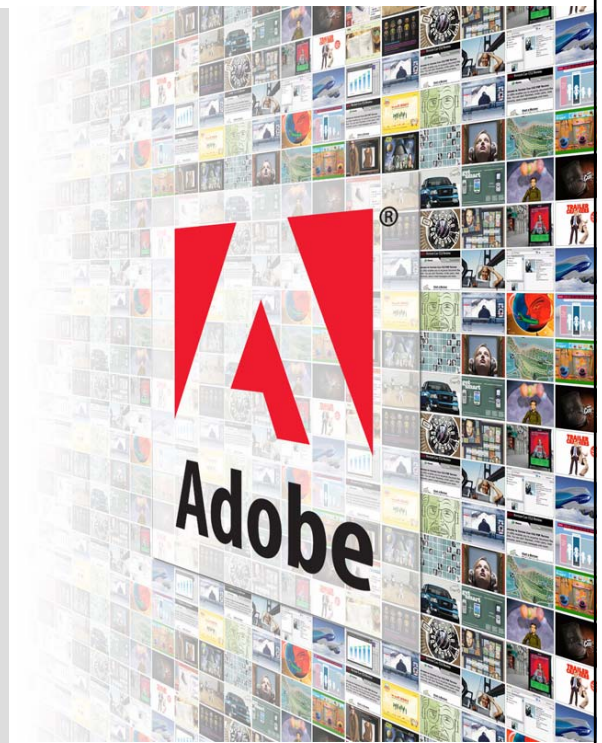



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Financial Disclaimer

Some of the information discussed today contains forward looking statements that involve risk and uncertainty. Actual results may differ materially from those set forth in such statements.




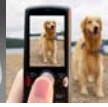

For a discussion of the risks and uncertainties, you should review Adobe's SEC filings, including the annual report on Form 10-K for fiscal year 2006 and the quarterly reports on Form 10-Q filed by the company in 2007.

In our presentation, we will discuss non-GAAP financial measures. The GAAP financial measures that correspond to such non-GAAP measures, as well as the reconciliation between the two, are available on our website at <http://www.adobe.com/ADBE>.

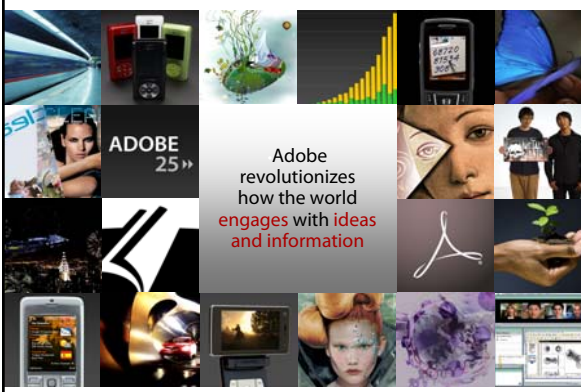
Adobe does not undertake an obligation to update forward-looking statements.

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Market Factors Providing a Great Tailwind

Web Growth	PC Upgrades	Video Growth	Mobile Camera & Device Growth	Personal Creation
				
55M active websites in 2006 +37% online ads in 2006	150M new Windows Vista and Intel Mac systems in 2007	13M new camcorders in 2006 554M video phones in 2006	2.5B mobile phone users in 2006	175K new blogs per day 280K new MySpace accounts per day

Source: IDC, InfoTrends, O'Reilly Radar, Internet Advertising Bureau
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Adobe revolutionizes how the world engages with ideas and information

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Diverse Customer Base Spans From Consumer to Enterprise

- Creative Solutions Business Unit
- Mobile and Device Solutions Business Unit
- Knowledge Worker Solutions Business Unit
- Enterprise and Developer Solutions Business Unit
- Print and Classic Publishing Business Unit
- Platform Business Unit



Technology Platform

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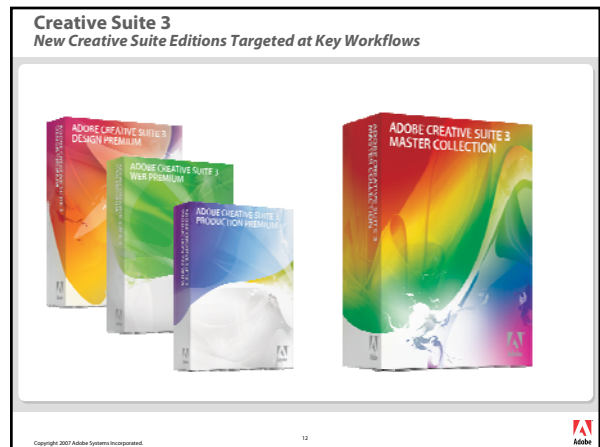
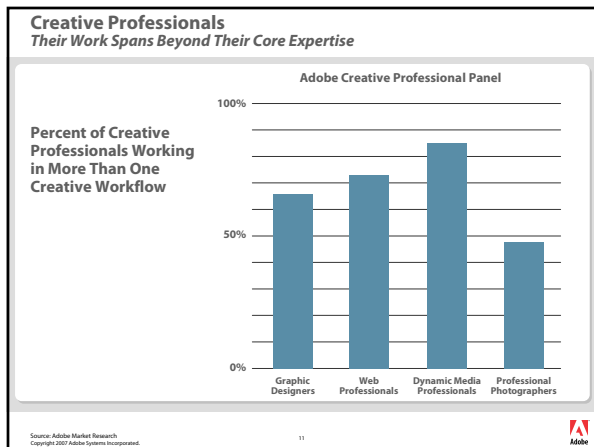
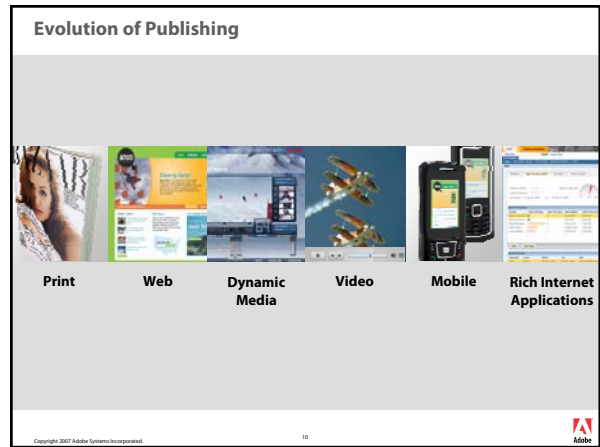
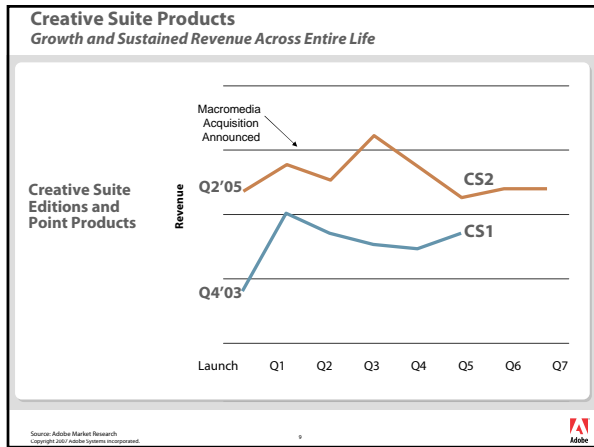
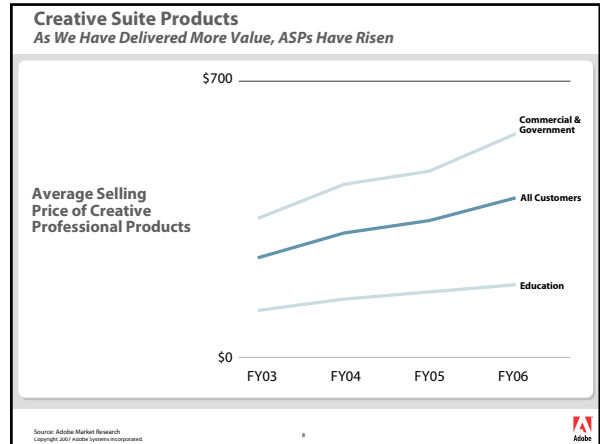
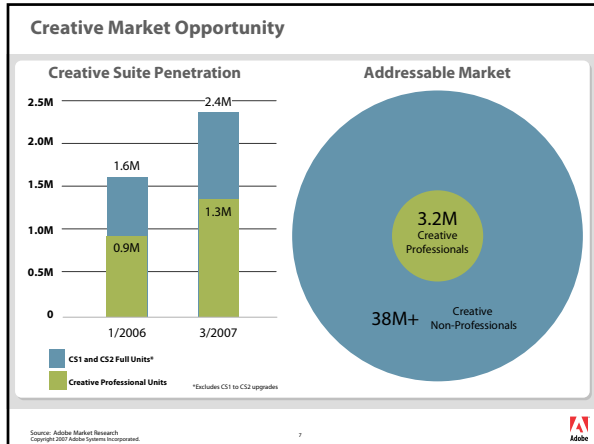
Enable our customers to produce, publish, and monetize compelling content

- Creative Solutions Business Unit
- Mobile and Device Solutions Business Unit
- Knowledge Worker Solutions Business Unit
- Enterprise and Developer Solutions Business Unit

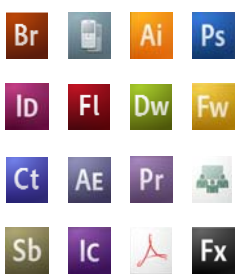


Technology Platform

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Creative Suite 3 Cross-Product Features



- Consistent user interface
- Cross-product file support
- Latest platform support
 - Intel-based Macs
 - Windows Vista
- Performance optimization
- New and enhanced workflows
- Mobile authoring

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Mobilizing Creative Suite 3




Flash, Dreamweaver, Photoshop, Illustrator, Adobe Premiere Pro, After Effects, Design Editions, Web Editions, Production Premium, Master Collection

Adobe Device Central CS3

Games, UI, Channels, WAP/HTML, Video

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Extending Adobe Photoshop

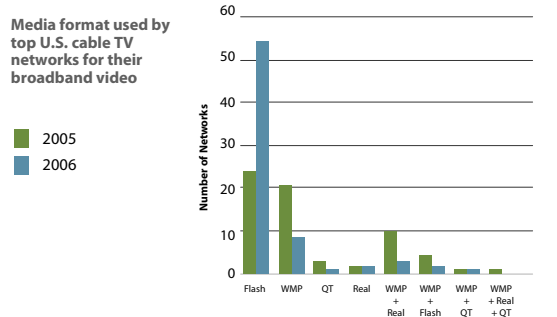


- Photoshop CS3
 - Faster startup time
 - Quick Selection/Refine Edge
 - Nondestructive filters
 - Auto layer align and blend
- Photoshop CS3 Extended
 - Measurement and analysis
 - 3D visualization and texture editing
 - Movie Paint to enhance video
 - Direct video support

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Flash Video Momentum

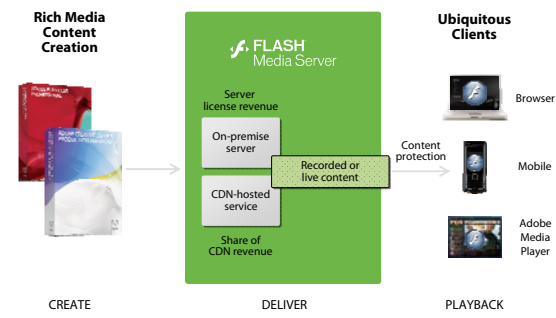
Media format used by top U.S. cable TV networks for their broadband video



Format	2005	2006
Flash	24	53
WMP	21	10
QT	3	2
Real	2	1
WMP + Real	11	4
WMP + Flash	5	2
WMP + QT	2	1
WMP + Real + QT	1	1

Source: Broadband Observers LLC. Copyright 2007 Adobe Systems Incorporated. 16

Dynamic Media Business Model



Rich Media Content Creation

FLASH Media Server

- Server license revenue
- On-premise server
- Recorded or live content
- CDN-hosted service
- Share of CDN revenue

Ubiquitous Clients: Browser, Mobile, Adobe Media Player

CREATE, DELIVER, PLAYBACK

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Announcing Adobe Media Player



- Next generation Internet video solution
- Utilizes Flash video and open standards
- Enables branding, content monetization (e.g. advertising), and content protection
- Based on Project Apollo
 - Cross-platform
 - Runs outside the Web browser
 - Online and offline viewing
- Commercially available later in 2007

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Beyond Shrinkwrap



- Software as a service
- Browser-based, no download
- Simple user interface
- Extending brand to mass market reach
- New revenue models

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Creative Solutions Business Unit

Mobile and Device Solutions Business Unit

Knowledge Worker Solutions Business Unit

Enterprise and Developer Solutions Business Unit

Transform user interaction with non-PC devices into engaging experiences

ADOBE FLASH LITE
ADOBE FLASH CAST™

Technology Platform






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Mobile and Device Solutions

Three Business Opportunities


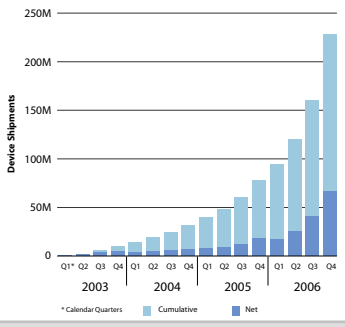
Tools Client Services

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Mobile and Device Client Opportunity

Flash Enabled Device Shipments

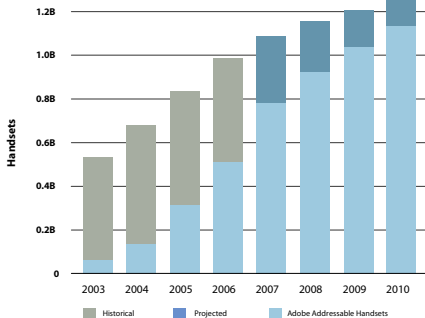



Year	Q1	Q2	Q3	Q4	Cumulative	Net
2003	~5	~5	~5	~5	~20	~5
2004	~10	~10	~10	~10	~40	~10
2005	~20	~20	~20	~20	~80	~20
2006	~40	~40	~40	~40	~160	~40

Source: Adobe Market Research. Copyright 2007 Adobe Systems Incorporated. 22

Mobile and Device Client Opportunity

Handset Shipments Are Growing



Year	Historical	Projected	Adobe Addressable
2003	~0.55	~0.05	~0.05
2004	~0.65	~0.15	~0.15
2005	~0.85	~0.35	~0.35
2006	~1.00	~0.55	~0.55
2007	~1.10	~0.75	~0.75
2008	~1.15	~0.85	~0.85
2009	~1.20	~0.95	~0.95
2010	~1.25	~1.05	~1.05

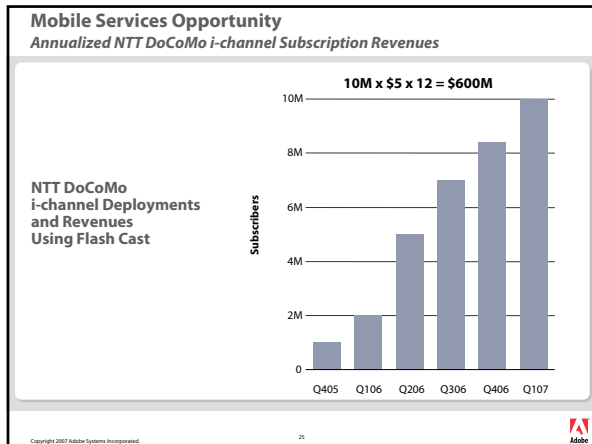
Source: Adobe Market Research. Copyright 2007 Adobe Systems Incorporated. 23

Mobile Services Opportunity

Operators Launching Flash Cast




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Mobile Services Opportunity

Video... Here, There, Everywhere

Flash Lite 3

- Supports Flash Video codec
- Available in Summer 2007

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Creative Solutions Business Unit

Mobile and Device Solutions Business Unit

Knowledge Worker Solutions Business Unit

Enterprise and Developer Solutions Business Unit

Enable our customers to communicate and collaborate across boundaries

Technology Platform

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The Document Challenge in Business Processes

- Bridging paper
- Crossing boundaries
- Ensuring security
- Enabling collaboration

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Adobe Acrobat 8

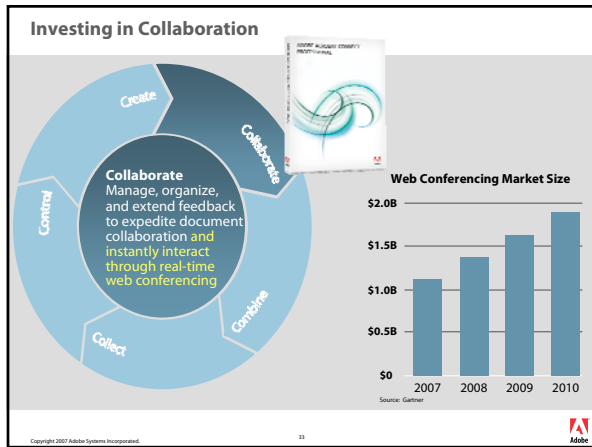
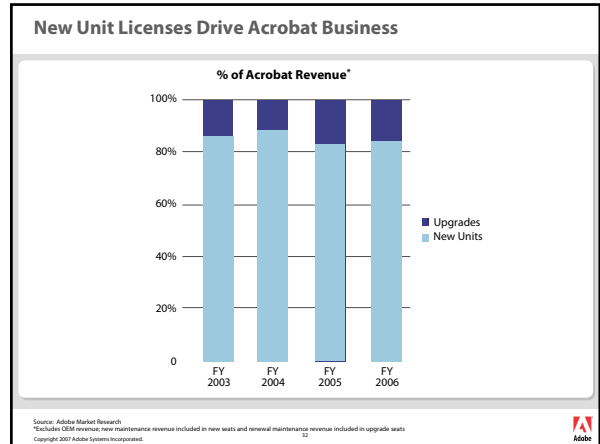
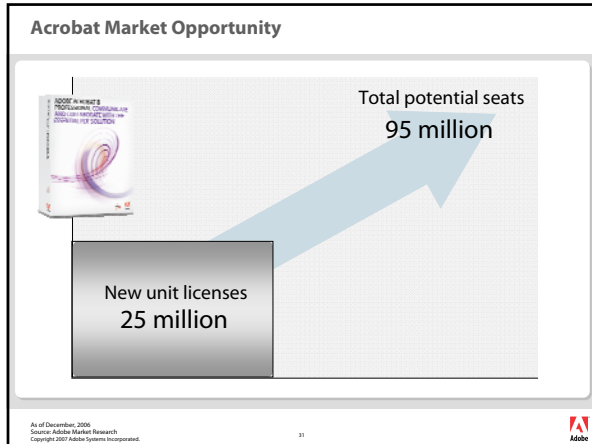
Helping Knowledge Workers worldwide accelerate their work by providing the essential PDF solution for more secure and collaborative electronic document exchange

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Adobe Acrobat 8

Value Beyond PDF Creation

Copyright 2007 Adobe Systems Incorporated. 30



Acrobat Connect Solutions

- Rich engaging experience
- Easy to join meetings
- On-premise and hosted delivery
- Specific application functionality

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Creative Solutions Business Unit

Mobile and Device Solutions Business Unit

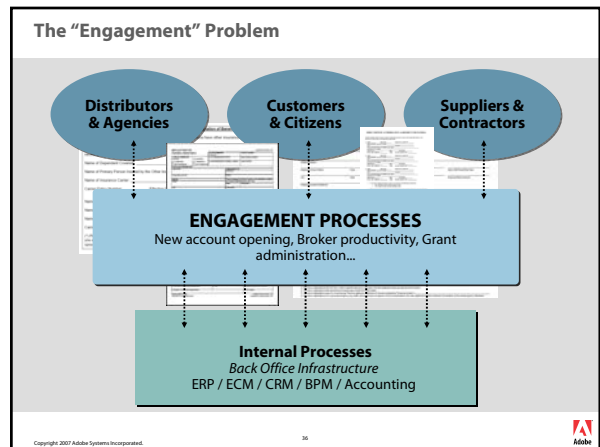
Knowledge Worker Solutions Business Unit

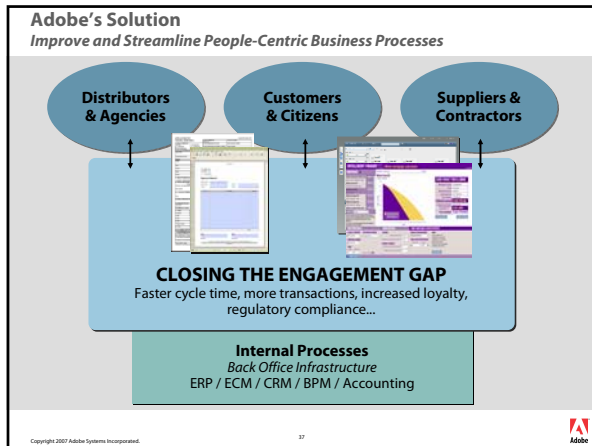
Enterprise and Developer Solutions Business Unit

Enable Enterprises and Government agencies to improve and streamline people-centric business processes

Technology Platform

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Targeted Enterprise Vertical Markets

Many Use Case Opportunities

Government	Financial Services	Manufacturing	Life Sciences
Guided Self-Service eDisclosure Certified Documents eGrants Case Management Tax Submissions	Account Opening Loan Automation Broker Productivity Correspondence Management ACORD XFI Agent Productivity	Field Service Management Design Collaboration RFP/Quote Management Engineering Change Management	Electronic Submissions Clinical Information Management Secure Information Exchange (SAFE)

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Existing Customers in Targeted Verticals

Many Pilots Moving to Broad Rollout

Government	Financial Services	Manufacturing	Life Sciences
Kane County, Illinois / Circuit Court Clerk State of Illinois / Dept of Human Services Court of Cremona (Italy) Australian Dept of Community Services	HSBC Ameritrust US Bank Allianz HBOS/ Intelligent Finance Gerling Insurance Group Safeco	Harley-Davidson Renault Saudi Iron & Steel Industria de Turbo Propulsores (Rolls-Royce) Phonak Group	Beth Israel Merck KGaA Procter & Gamble

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Vertically Aligned Partner Ecosystem

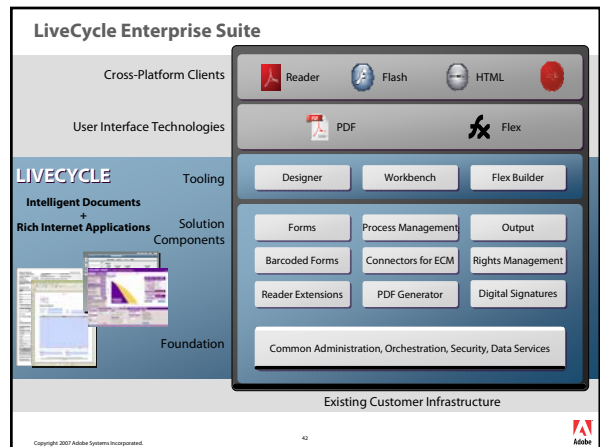
Government	Financial Services	Manufacturing	Life Sciences
SAIC General Dynamics Accenture CGI	Keane Business Edge Roundarch Tata Consultancy Services	Capgemini Cardinal Solutions CADeSIS Cimpa	Accenture EMC Documentum IBM

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Building Momentum with SAP Interactive Forms

- Strong sales and marketing alignment
- Over 200 customers
- 300% royalty growth in FY06
- Multiple seven-figure deals

*As of March, 2007
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Adobe's Enterprise Opportunity



\$2.1 Billion Addressable Market
17% CAGR
2007 - 2010

Source: Adobe Market Research
Copyright 2007 Adobe Systems Incorporated.

43



Adobe Integrated Runtime (AIR) Empowers Web 2.0 Application Development



- "Project Apollo", now in Beta
- Build engaging desktop applications with standard Web technologies (e.g. HTML, AJAX, Flash, PDF, Java, video, audio)
 - Cross-platform
 - Run outside of the Web browser
- Blend the best of the Web with the best of the desktop
- Create persistent (online and offline), branded desktop experiences

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44



Income Statement Trailing Five Quarters — GAAP

GAAP \$Millions - Except EPS	Q2 FY'06	Q3 FY'06	Q4 FY'06	Q1 FY'07	Q2 FY'07
Revenue	635.5	602.2	682.2	649.4	745.6
GM - % of Revenue	89.7%	88.5%	88.3%	88.9%	87.8%
Operating Expenses	421.9	422.7	439.2	430.8	474.0
Operating Profit % of Revenue	147.9 23.3%	110.0 18.3%	163.4 23.9%	146.3 22.5%	180.4 24.2%
Interest & Other Income	13.9	18.1	19.6	22.5	20.5
Investment Gain (Loss)	2.7	(5.1)	65.0	5.6	4.2
Income Before Taxes	164.5	123.0	248.0	174.4	205.1
Taxes	41.4	28.6	64.8	30.6	52.6
Net Income	123.1	94.4	183.2	143.8	152.5
Outstanding Shares	613.8	600.9	602.2	604.2	603.4
GAAP EPS	.20	.16	.30	.24	.25

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45



Income Statement Trailing Five Quarters — Non-GAAP

Non-GAAP \$Millions - Except EPS	Q2 FY'06	Q3 FY'06	Q4 FY'06	Q1 FY'07	Q2 FY'07
Revenue	635.5	602.2	682.2	649.4	745.6
GM - % of Revenue	95.4%	94.3%	93.7%	93.4%	93.8%
Operating Expenses	363.4	360.8	383.3	382.4	417.0
Operating Profit % of Revenue	243.1 38.3%	207.2 34.4%	255.8 37.5%	223.8 34.5%	282.1 37.8%
Interest & Other Income	13.9	18.1	19.6	22.5	20.5
Income Before Taxes	257.0	225.3	275.4	246.3	302.6
Taxes	67.6	53.8	77.1	62.7	79.4
Net Income	189.4	171.5	198.3	183.6	223.2
Outstanding Shares	613.8	600.9	602.2	604.2	603.4
Non-GAAP EPS	.31	.29	.33	.30	.37

Non-GAAP excludes purchase accounting and restructuring and other charges, acquired-in-process research and development, amortization of purchase intangibles and impairment of goodwill, and stock-based compensation impact of SFAS 123R. Reconciliation between GAAP and non-GAAP target ranges can be found on the investor relations page of Adobe's Web site, which is available at <http://www.adobe.com/IR/06E>.

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46



Solid Balance Sheet



- Cash and short-term investments of \$2.3 billion*
- No long-term debt
- \$500 million credit line established
- Growing deferred revenue
- Q2'07 trade DSO of 39 days
- Actively hedge Euro and Yen
 - Balance sheet hedging
 - Economic hedging

*As of June 1, 2007
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47



Adobe Summary



- Market trends fueling Adobe opportunities
- New product launches in 2007
- Diversified business serving multiple markets
- Investing for the future
- Multiple growth opportunities in 2008 and beyond

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48





Investor Relations Data Sheet

Last Updated: June 14, 2007

Select "Attachments" Tab to Open Excel Version of Data Sheet

	Description	Q1'06	Q2'06	Q3'06	Q4'06	FY2006	Q1'07	Q2'07	FY2007 YTD
Revenue (\$Millions)	Total Revenue	655.5	635.5	602.2	682.2	2,575.3	649.4	745.6	1,395.0
Revenue by Segment (\$Millions)	Creative Solutions	382.1	360.1	331.6	364.1	1,437.9	346.4	436.6	783.0
	Knowledge Worker Solutions	166.3	160.1	150.6	180.9	657.9	174.8	184.8	359.6
	Enterprise and Developer Solutions	45.0	42.9	49.4	52.0	189.3	50.9	52.3	103.2
	Mobile and Device Solutions	8.6	7.7	9.1	12.1	37.5	13.7	12.3	26.0
	Other	53.5	64.7	61.5	73.1	252.7	63.6	59.6	123.2
Revenue by Segment (as % of total revenue)	Creative Solutions	58%	57%	55%	53%	56%	53%	58%	56%
	Knowledge Worker Solutions	26%	25%	25%	26%	26%	27%	25%	26%
	Enterprise and Developer Solutions	7%	7%	8%	8%	7%	8%	7%	7%
	Mobile and Device Solutions	1%	1%	2%	2%	1%	2%	2%	2%
	Other	8%	10%	10%	11%	10%	10%	8%	9%
Revenue by Geography (\$Millions)	Americas	313.7	305.9	310.3	336.9	1,266.7	298.3	383.5	681.8
	EMEA	207.0	181.3	165.4	216.4	770.1	215.7	210.9	426.6
	Asia	134.8	148.3	126.5	128.9	538.5	135.4	151.2	286.6
Revenue by Geography (as % of total revenue)	Americas	48%	48%	52%	49%	49%	46%	52%	49%
	EMEA	32%	29%	27%	32%	30%	33%	28%	31%
	Asia	20%	23%	21%	19%	21%	21%	20%	20%
Enterprise KPI	Number of Server Transactions > \$50,000 *	113	97	82	104	396	110	101	211
* Based on LiveCycle, Flex, ColdFusion, Acrobat Connect and Flash Media Server transactions greater than \$50,000 (excludes maintenance, support, and professional services)									
Acquisition Related Expenses (\$Millions)	Direct Costs	36.6	36.0	34.8	35.9	143.3	28.6	43.9	72.5
	Research & Development	14.0	6.1	3.1	4.7	27.9	2.3	2.5	4.8
	Sales & Marketing	9.5	5.7	14.1	3.3	32.6	3.0	2.3	5.3
	General & Administrative	3.2	2.2	0.3	1.4	7.1	0.9	1.0	1.9
	Amortization of Purchased Intangibles	17.1	17.3	17.7	17.7	69.8	17.7	17.4	35.1
	Acquired R&D	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.5
	Restructuring	19.0	1.2	0.0	(0.5)	19.7	0.0	0.0	0.0
SFAS 123R Stock Compensation Expenses (\$Millions)	Direct Costs	0.5	0.7	0.6	0.7	2.5	0.5	0.8	1.3
	Research & Development	9.7	12.1	12.0	13.5	47.3	11.6	14.9	26.5
	Sales & Marketing	8.1	8.8	9.0	9.9	35.8	8.0	10.0	18.0
	General & Administrative	4.7	5.0	5.6	5.9	21.2	4.9	7.4	12.3
	TOTAL	23.0	26.6	27.2	30.0	106.8	25.0	33.1	58.1
Shares (Millions)	Diluted Shares Outstanding	621.8	613.8	600.9	602	612.2	604.2	603.4	604.4
Headcount	Worldwide Employees	5,480	5,678	5,879	6,068	6,068	6,151	6,427	6,427
DSO Ratio	Days Sales Outstanding - Trade Receivables	39	40	43	48	48	43	39	39

Adobe provides this information as of the modification date above and makes no commitment to update the information subsequently. For a full explanation of this data, you are encouraged to review Adobe's Form 10-K and 10-Q SEC filings.



Historical Investor Relations Data Sheet (Pre-Adobe/Macromedia integration)

Last Updated: December 15, 2005

	Description	FY2000	Q1'01	Q2'01	Q3'01	Q4'01	FY2001	Q1'02	Q2'02	Q3'02	Q4'02	FY2002	Q1'03	Q2'03	Q3'03	Q4'03	FY2003	Q1'04	Q2'04	Q3'04	Q4'04	FY2004	Q1'05	Q2'05	Q3'05	Q4'05	FY2005	
Total (\$Millions)	Revenue	1,266.4	329.0	344.1	292.1	264.5	1,229.7	267.9	317.4	284.9	294.7	1,164.8	296.9	320.1	319.1	358.6	1,294.7	423.3	410.1	403.7	429.5	1,666.6	472.9	496.0	487.0	510.4	1,966.3	
Revenue By Segment (\$Millions)	Digital Imaging & Video	476.7	128.6	122.6	104.2	84.3	439.7	83.8	130.6	96.0	101.6	411.9	96.2	95.3	88.3	112.6	392.4	113.5	100.3	98.4	118.0	430.2	106.6	115.9	95.6	114.7	432.8	
	Creative Professional	450.6	111.6	102.8	87.7	91.1	393.3	87.6	90.1	86.6	86.9	351.3	85.8	93.7	82.0	107.0	368.5	158.1	153.4	150.4	151.2	613.1	160.7	184.4	206.3	192.4	743.8	
	Intelligent Documents	207.6	61.7	90.0	74.3	65.9	291.9	74.0	75.6	78.6	84.4	312.5	90.9	108.1	127.0	118.1	444.1	130.3	136.1	135.5	139.9	541.8	184.9	176.2	165.8	181.1	708.0	
	OEM PostScript & Other	131.5	27.0	28.7	25.9	23.2	104.8	22.5	21.1	23.7	21.8	89.0	24.0	23.0	21.8	20.9	89.7	21.4	20.3	19.4	20.4	81.5	20.7	19.5	19.3	22.2	81.7	
Revenue By Segment (as % of total revenue)	Digital Imaging & Video	38%	39%	36%	36%	32%	36%	31%	41%	34%	34%	35%	32%	30%	27%	31%	30%	27%	25%	24%	27%	26%	23%	23%	20%	22%	22%	
	Creative Professional	36%	34%	30%	30%	34%	32%	33%	28%	30%	30%	30%	29%	29%	26%	30%	29%	37%	37%	37%	35%	37%	34%	37%	42%	38%	38%	
	Intelligent Documents	16%	19%	26%	25%	25%	24%	28%	24%	28%	29%	27%	31%	34%	40%	33%	34%	31%	33%	34%	33%	32%	39%	36%	34%	36%	36%	
	OEM PostScript & Other	10%	8%	8%	9%	9%	8%	8%	7%	8%	7%	8%	8%	7%	7%	6%	7%	5%	5%	5%	5%	5%	4%	4%	4%	4%	4%	
Revenue By Geography (\$Millions)	Americas	659.1	151.1	158.9	154.8	126.8	591.5	124.1	158.0	156.2	145.5	583.8	146.5	157.4	156.8	179.5	640.2	183.5	182.5	195.9	208.7	770.6	218.0	242.4	228.3	251.0	939.7	
	EMEA	323.0	98.1	78.5	71.6	78.3	326.5	74.9	82.2	68.4	92.1	317.6	89.3	86.6	84.3	110.0	370.2	144.1	134.3	123.5	139.6	541.5	150.5	145.1	153.0	164.1	612.7	
	Asia	284.3	79.8	106.7	65.7	59.5	311.7	68.8	77.1	60.3	57.1	263.4	61.1	76.1	78.0	69.1	284.3	95.7	93.3	84.3	81.2	354.5	104.4	108.5	105.7	95.3	413.9	
Revenue By Geography (as % of total revenue)	Americas	52%	46%	46%	53%	48%	48%	46%	50%	55%	49%	50%	49%	49%	49%	50%	49%	43%	44%	48%	49%	46%	46%	49%	47%	49%	48%	
	EMEA	26%	30%	23%	25%	30%	27%	28%	26%	24%	31%	27%	30%	27%	26%	31%	29%	34%	33%	31%	32%	33%	32%	29%	31%	32%	31%	
	Asia	22%	24%	31%	22%	22%	25%	26%	24%	21%	20%	23%	21%	24%	25%	19%	22%	23%	23%	21%	19%	21%	22%	22%	22%	19%	21%	
Intelligent Documents Data	Desktop Revenue (\$Millions)	-	-	-	-	-	-	-	-	-	-	-	75.5	91.6	109.5	98.6	375.2	109.0	112.8	105.8	110.6	438.2	160.7	149.8	135.5	147.8	593.8	
	Server Revenue (\$Millions)	-	-	-	-	-	-	-	-	-	-	-	15.4	16.5	17.5	19.5	68.9	21.3	23.3	29.7	29.3	103.6	24.2	26.4	30.3	33.3	114.2	
	Licensing as a % of Desktop Revenue	-	-	-	-	-	-	-	-	-	27.6%	30.6%	-	36.7%	31.8%	38.7%	40.4%	-	45.2%	43.1%	45.9%	47.2%	-	41.1%	47.2%	52.0%	57.2%	-
	Number of Server Transactions > \$50,000 *	-	-	-	-	-	-	-	-	-	17	-	21	32	29	35	-	29	34	39	44	-	39	60	56	63	-	
	Average Server Transaction Size *	-	-	-	-	-	-	-	-	-	145	-	100	113	120	114	-	205	236	184	219	-	150	119	191	162	-	

* Based on server transactions greater than \$50,000 (excludes maintenance, support, and professional services); Average rounded to \$Thousands

Margin (as a % of total revenue)	Gross Profit Margin	93.1%	93.9%	93.5%	93.1%	92.8%	93.4%	92.2%	92.1%	88.9%	91.0%	91.0%	92.5%	92.7%	93.1%	93.0%	92.8%	94.3%	93.4%	94.2%	93.2%	93.7%	94.3%	94.5%	94.4%	94.0%	94.3%
	Operating Expenses (as % of total revenue)	Research & Development	19.0%	16.9%	17.3%	18.6%	20.7%	18.2%	22.1%	19.8%	21.0%	21.8%	21.1%	22.2%	21.6%	21.6%	20.4%	21.4%	17.7%	18.5%	19.8%	18.6%	18.7%	18.3%	18.0%	19.4%	18.5%
	Sales & Marketing	31.7%	31.6%	31.8%	32.7%	35.8%	32.8%	33.3%	32.7%	32.9%	31.7%	32.7%	33.0%	33.0%	33.3%	31.7%	32.7%	30.1%	31.8%	30.5%	32.7%	31.3%	31.2%	31.2%	29.5%	28.8%	30.2%
	General & Administrative	9.2%	9.2%	9.0%	8.9%	10.6%	9.4%	9.6%	9.2%	9.4%	9.1%	9.3%	10.1%	9.5%	9.5%	8.8%	9.5%	7.9%	8.4%	9.1%	7.8%	8.3%	8.7%	8.5%	7.7%	9.0%	8.5%
Headcount	Worldwide Employees	2,947	3,066	3,161	3,233	3,043	3,043	3,054	3,510	3,557	3,319	3,319	3,377	3,440	3,486	3,515	3,515	3,518	3,646	3,749	3,848	3,848	4,016	4,207	4,286	4,285	4,285
Platform Mix (as % of total revenue)	Windows	63%	66%	71%	71%	73%	70%	73%	69%	72%	73%	71%	74%	73%	77%	73%	74%	71%	72%	73%	75%	73%	76%	74%	73%	76%	75%
	Macintosh	37%	34%	29%	29%	27%	30%	27%	31%	28%	27%	29%	26%	27%	23%	27%	26%	29%	28%	27%	25%	27%	24%	26%	27%	24%	25%
Total (Millions)	Diluted Shares Outstanding*	511.5	507.2	500.2	497.2	486.8	498.3	490.5	495.4	486.8	476.8	486.2	470.6	478.5	481.0	491.0	482.9	492.2	493.9	494.2	500.6	495.6	506.2	508.2	507.8	508.6	508.1
DSO Ratio	Days Sales Outstanding (Trade Receivables)	36	41	39	46	42	42	48	38	46	36	36	41	36	31	37	37	28	23	25	30	30	27	32	29	31	31

Adobe provides this information as of the modification date above and makes no commitment to update the information subsequently. For a full explanation of this data, you are encouraged to review Adobe's Form 10-K and 10-Q SEC filings.



Adobe

Adobe Systems Incorporated

Historical Desktop Product Release Roadmap

Last Updated: June 14, 2007

Product	Q1`06	Q2`06	Q3`06	Q4`06	Q1`07	Q2`07
Acrobat				8.0		
Acrobat 3D	7.0					8.0
After Effects	7.0					
Audition	2.0					
Authorware						
Captivate				2.0		
Connect (formerly Breeze)				6.0		
Contribute				4.0		CS3
Creative Suite				2.3		CS3
Director						
Dreamweaver						CS3
Encore	2.0					
Fireworks						CS3
Flash						CS3
FrameMaker						
FreeHand						
GoLive						
Illustrator						CS3
InDesign						CS3
Lightroom					1.0	
PageMaker						
Photoshop						CS3
Photoshop Extended						CS3
Photoshop Elements				5.0		
Premiere Elements				3.0		
Premiere Pro	2.0					
Production Studio	1.0					
Soundbooth						
Studio						

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Adobe Systems Incorporated

Historical Desktop Product Release Roadmap (Pre Adobe/Macromedia integration)

Last Updated: December 15, 2005

Product	Q1'00	Q2'00	Q3'00	Q4'00	Q1'01	Q2'01	Q3'01	Q4'01	Q1'02	Q2'02	Q3'02	Q4'02	Q1'03	Q2'03	Q3'03	Q4'03	Q1'04	Q2'04	Q3'04	Q4'04	Q1'05	Q2'05	Q3'05	Q4'05	
Acrobat						5.0								6.0								7.0			
After Effects						5.0			5.5						6.0			6.5							
Audition															1.0			1.5							
Creative Suite																1.0							2.0		
Encore DVD															1.0			1.5							
FrameMaker		6.0								7.0															
GoLive			5.0						6.0															CS2	
Illustrator			9.0					10.0																	CS2
InDesign		1.5							2.0																CS2
PageMaker							7.0																		
Photoshop				6.0						7.0															CS2
Photoshop Album													1.0												
Photoshop Elements						1.0					2.0												3.0		
Premiere					6.0						6.5														
Premiere Elements																							1.0		
Premiere Pro																1.0									

Adobe provides this information as of the modification date above and makes no commitment to update the information subsequently. For a full explanation of this data, you are encouraged to review Adobe's Form 10-K and 10-Q SEC filings. All of the above products were launched in the United States.



Adobe Systems Incorporated

Income Statement

Reconciliation of Non-GAAP to GAAP

\$Millions Except EPS

Reflects May 2005 2:1 Stock Split

June 14, 2007

	Q1 FY05	Q2 FY05	Q3 FY05	Q4 FY05	Q1 FY06	Q2 FY06	Q3 FY06	Q4 FY06	Q1 FY07	Q2 FY07
Non-GAAP										
Revenue	472.9	496.0	487.0	510.4	655.5	635.4	602.2	682.2	649.4	745.6
Operating Expenses	275.2	286.4	276.0	287.8	362.4	363.4	360.8	383.3	383.7	417.0
Operating Profit	170.7	182.2	183.6	191.9	252.4	243.1	207.2	255.8	222.5	282.1
% of Revenue	36.1%	36.7%	37.7%	37.6%	38.5%	38.3%	34.4%	37.5%	34.3%	37.8%
Interest & Other Income	7.6	8.3	12.4	10.3	15.5	13.9	18.1	19.6	22.5	20.5
Income Before Taxes	178.3	190.5	196.0	202.2	267.9	257.0	225.3	275.4	245.0	302.6
Taxes	44.5	47.6	49.6	50.7	70.5	67.6	53.8	77.1	62.7	79.4
Net Income	133.8	142.9	146.4	151.5	197.5	189.4	171.5	198.3	182.3	223.2
Adjusted Diluted Shares (Millions)	506.2	508.2	507.8	508.6	621.8	613.8	600.9	602.2	604.2	603.4
Adjusted EPS	0.26	0.28	0.29	0.30	0.32	0.31	0.29	0.33	0.30	0.37
Reconciliation to GAAP										
Non-GAAP Income Before Taxes	178.3	190.5	196.0	202.2	267.9	256.9	225.3	276.0	246.3	302.6
SFAS 123R Stock-based Compensation	0.0	0.0	0.0	0.0	23.0	26.6	27.2	30.0	24.9	33.1
Restructuring and Other Charges	0.0	0.0	0.0	0.0	19.0	1.2	0.0	0.0	0.0	0.0
Acquisition and technology-related Costs	0.0	0.0	0.0	0.0	56.9	52.0	54.5	53.5	45.7	62.1
Amortization of Macromedia Deferred Compensation	0.0	0.0	0.0	0.0	23.4	15.3	15.5	9.5	6.9	6.5
Investment (Gain) Loss	1.5	2.7	2.0	(5.0)	1.3	(2.7)	5.1	(65.0)	(5.6)	(4.2)
GAAP Income Before Taxes	176.8	187.8	194.0	207.2	144.3	164.5	123.0	248.0	174.4	205.1
Taxes	24.9	38.0	49.0	51.0	39.2	41.4	28.6	64.8	30.5	52.6
GAAP Net Income	151.9	149.8	145.0	156.2	105.1	123.1	94.4	183.2	143.9	152.5
Adjusted Diluted Shares (Millions)	506.2	508.2	507.8	508.6	621.8	613.8	600.9	602.2	604.2	603.4
Adjusted EPS	0.30	0.29	0.29	0.31	0.17	0.20	0.16	0.30	0.24	0.25
GAAP										
Revenue	472.9	496.0	487.0	510.4	655.5	635.4	602.2	682.2	649.4	745.6
Operating Expenses	275.2	286.4	276.0	287.8	447.8	421.9	422.7	439.2	430.8	474.0
Operating Profit	170.7	182.2	183.6	191.9	130.0	147.9	110.0	163.4	146.3	180.4
% of Revenue	36.1%	36.7%	37.7%	37.6%	19.8%	23.3%	18.3%	23.9%	22.5%	24.2%
Investment Gains (Loss)	(1.5)	(2.7)	(2.0)	5.0	(1.3)	2.7	(5.1)	65.0	5.6	4.2
Interest & Other Income	7.6	8.3	12.4	10.3	15.5	13.9	18.1	19.6	22.5	20.5
Income Before Taxes	176.8	187.8	194.0	207.2	144.3	164.5	123.0	248.0	174.4	205.1
Taxes	24.9	38.0	49.0	51.0	39.2	41.4	28.6	64.8	30.6	52.6
Net Income	151.9	149.8	145.0	156.2	105.1	123.1	94.4	183.2	143.9	152.5
Adjusted Diluted Shares (Millions)	506.2	508.2	507.8	508.6	621.8	613.8	600.9	602.2	604.2	603.4
Adjusted EPS	0.30	0.29	0.29	0.31	0.17	0.20	0.16	0.30	0.24	0.25

The above results are supplied to provide meaningful supplemental information regarding Adobe's core operating results because such information excludes amounts that are not necessarily related to its core operating results. Adobe uses this non-GAAP financial information in assessing the performance of the Company's ongoing operations, and for planning and forecasting in future periods. This non-GAAP information should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.



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FOR IMMEDIATE RELEASE

Adobe Reports Record Revenue

17 Percent Revenue Growth Driven by Strong Creative Suite 3 and Acrobat Performance

SAN JOSE, Calif. — June 14, 2007 — Adobe Systems Incorporated (Nasdaq:ADBE) today reported financial results for its second quarter of fiscal 2007 ended June 1, 2007. Adobe achieved record revenue of \$745.6 million, compared to \$635.5 million reported for the second quarter of fiscal 2006 and \$649.4 million reported in the first quarter of fiscal 2007. This represents 17 percent year-over-year revenue growth. Adobe's second quarter revenue target range was \$700 to \$740 million.

"Q2 was a strong quarter, driven by the record performance of both our Creative Suite products and Acrobat," said Bruce Chizen, chief executive officer of Adobe. "Assuming continued business momentum, we expect to exceed our original fiscal year revenue and profit targets."

GAAP Results

Adobe's GAAP diluted earnings per share for the second quarter of fiscal 2007 were \$0.25, based on 603.4 million weighted average shares. This compares with GAAP diluted earnings per share of \$0.20 reported in the second quarter of fiscal 2006 based on 613.8 million weighted average shares, and GAAP diluted earnings per share of \$0.24 reported in the first quarter of fiscal 2007 based on 604.2 million weighted average shares. Adobe's second quarter GAAP earnings per share target range was \$0.23 to \$0.26.

GAAP operating income was \$180.4 million in the second quarter of fiscal 2007, compared to \$147.9 million in the second quarter of fiscal 2006 and \$146.3 million in the first quarter of fiscal 2007. As a percent of revenue, GAAP operating income in the second quarter of fiscal 2007 was 24.2 percent, compared to 23.3 percent in the second quarter of fiscal 2006 and 22.5 percent in the first quarter of fiscal 2007.

GAAP net income was \$152.5 million for the second quarter of fiscal 2007, compared to \$123.1 million reported in the second quarter of fiscal 2006, and \$143.9 million in the first quarter of fiscal 2007.

Page 2 of 10
Adobe Reports Record Revenue

Non-GAAP Results

Non-GAAP diluted earnings per share for the second quarter of fiscal 2007 were \$0.37. This compares with non-GAAP diluted earnings per share of \$0.31 reported in the second quarter of fiscal 2006, and non-GAAP diluted earnings per share of \$0.30 reported in the first quarter of fiscal 2007. Adobe's second quarter non-GAAP earnings per share target range was \$0.34 to \$0.36.

Adobe's non-GAAP operating income was \$282.1 million in the second quarter of fiscal 2007, compared to \$243.1 million in the second quarter of fiscal 2006 and \$223.8 million in the first quarter of fiscal 2007. As a percent of revenue, non-GAAP operating income in the second quarter of fiscal 2007 was 37.8 percent, compared to 38.3 percent in the second quarter of fiscal 2006 and 34.5 percent in the first quarter of fiscal 2007.

Non-GAAP net income was \$223.2 million for the second quarter of fiscal 2007, compared to \$189.4 million in the second quarter of fiscal 2006, and \$183.6 million in the first quarter of fiscal 2007.

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 2007, Adobe announced it is targeting revenue of \$760 million to \$800 million. The Company also is targeting a GAAP operating margin of approximately 27 to 28 percent. On a non-GAAP basis, the Company is targeting an operating margin of approximately 39 percent.

In addition, Adobe is targeting its share count to be between 607 million and 609 million shares. The Company also is targeting other income to be approximately \$21 million to \$22 million, with a GAAP tax rate of approximately 25 to 26 percent and a non-GAAP tax rate of approximately 26 to 27 percent.

These targets lead to a GAAP earnings per share target range of approximately \$0.28 to \$0.31. On a non-GAAP basis, the Company is targeting earnings per share of approximately \$0.39 to \$0.41.

A reconciliation between GAAP and non-GAAP 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,

Adobe Reports Record Revenue

failure to anticipate and develop new products in response to changes in demand for application software, 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 Quarterly Report on Form 10-Q for the second quarter ended June 1, 2007, which the Company expects to file in July, 2007. 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.

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Page 4 of 10
Adobe Reports Record Revenue

Condensed Consolidated Statements of Income
(In thousands, except per share data; unaudited)

	Three Months Ended		Six Months Ended	
	June 1, 2007	June 2, 2006	June 1, 2007	June 2, 2006
Revenue:				
Products	\$ 713,469	\$ 614,895	\$ 1,333,767	\$ 1,251,721
Services and support	32,108	20,561	61,217	39,213
Total revenue.....	<u>745,577</u>	<u>635,456</u>	<u>1,394,984</u>	<u>1,290,934</u>
Total cost of revenue:				
Products	70,715	49,269	124,530	112,118
Services and support	20,499	16,338	38,947	31,235
Total cost of revenue.....	<u>91,214</u>	<u>65,607</u>	<u>163,477</u>	<u>143,353</u>
Gross profit.....	654,363	569,849	1,231,507	1,147,581
Operating expenses:				
Research and development.....	150,049	133,285	287,178	270,828
Sales and marketing	236,402	210,399	451,080	424,215
General and administrative	68,597	59,716	129,872	120,013
Restructuring and other charges.....	—	1,235	—	20,219
Amortization of purchased intangibles and incomplete technology	18,924	17,306	36,649	34,418
Total operating expenses	<u>473,972</u>	<u>421,941</u>	<u>904,779</u>	<u>869,693</u>
Operating income.....	180,391	147,908	326,728	277,888
Non-operating income:				
Investment gain	4,162	2,660	9,763	1,395
Interest and other income, net.....	20,563	13,929	43,027	29,471
Total non-operating income	<u>24,725</u>	<u>16,589</u>	<u>52,790</u>	<u>30,866</u>
Income before income taxes	205,116	164,497	379,518	308,754
Provision for income taxes	52,611	41,400	83,162	80,585
Net income	<u>\$ 152,505</u>	<u>\$ 123,097</u>	<u>\$ 296,356</u>	<u>\$ 228,169</u>
Basic net income per share.....	<u>\$ 0.26</u>	<u>\$ 0.21</u>	<u>\$ 0.50</u>	<u>\$ 0.38</u>
Shares used in computing basic net income per share.....	587,929	595,284	588,536	597,679
Diluted net income per share	<u>\$ 0.25</u>	<u>\$ 0.20</u>	<u>\$ 0.49</u>	<u>\$ 0.37</u>
Shares used in computing diluted net income per share	603,417	613,804	604,373	618,582

Page 5 of 10
Adobe Reports Record Revenue

Condensed Consolidated Balance Sheets

(In thousands, except per share data; unaudited)

	June 1, 2007	December 1, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 901,617	\$ 772,500
Short-term investments	1,422,208	1,508,379
Trade receivables, net of allowances for doubtful accounts of \$7,055 and \$6,798, respectively	318,090	356,815
Other receivables	53,367	51,851
Deferred income taxes	196,098	155,613
Prepaid expenses and other assets	61,141	39,311
Total current assets	2,952,521	2,884,469
Property and equipment, net	266,395	227,197
Goodwill	2,147,034	2,149,494
Purchased and other intangibles, net	476,978	506,405
Investment in lease receivable	207,239	126,800
Other assets	85,782	68,183
	\$ 6,135,949	\$ 5,962,548
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade and other payables	\$ 55,038	\$ 55,031
Accrued expenses	369,264	303,550
Accrued restructuring	6,558	10,088
Income taxes payable	168,890	178,368
Deferred revenue	179,331	130,310
Total current liabilities	779,081	677,347
Long-term liabilities:		
Deferred revenue	29,465	32,644
Deferred income taxes	97,970	70,715
Accrued restructuring	17,021	21,984
Other liabilities	16,700	7,982
Total liabilities	940,237	810,672
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 2,000 shares authorized	—	—
Common stock, \$0.0001 par value	61	61
Additional paid-in-capital	2,452,639	2,451,610
Retained earnings	3,614,142	3,317,785
Accumulated other comprehensive income	16,755	6,344
Treasury stock, at cost (12,980 and 13,608 shares, respectively), net of re-issuances	(887,885)	(623,924)
Total stockholders' equity	5,195,712	5,151,876
	\$ 6,135,949	\$ 5,962,548

Page 6 of 10
Adobe Reports Record Revenue

Condensed Consolidated Statements of Cash Flows

(In thousands; unaudited)

	Three Months Ended	
	June 1, 2007	June 2, 2006
Cash flows from operating activities:		
Net income	\$ 152,505	\$ 123,097
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	87,022	77,388
Stock-based compensation expense, net of tax	39,935	35,931
Net investment (gains) losses	(4,088)	5,486
Changes in deferred revenue	35,220	6,093
Changes in operating assets and liabilities	34,805	(7,871)
Net cash provided by operating activities	<u>345,399</u>	<u>240,124</u>
Cash flows from investing activities:		
Sales and maturities of short-term investments, net of purchases	332,651	63,924
Purchases of property and equipment	(23,484)	(19,683)
Purchases of long term investments and other assets, net of sales	(12,446)	(1,017)
Investment in lease receivable	(80,439)	—
Acquisitions, net of cash	(64,275)	(26,477)
Net cash provided by investing activities	<u>152,007</u>	<u>16,747</u>
Cash flows from financing activities:		
Purchases of treasury stock, net of reissuances	(162,213)	(497,860)
Excess tax benefits from stock-based compensation	35,866	28,684
Net cash used for financing activities	<u>(126,347)</u>	<u>(469,176)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>4,528</u>	<u>2,512</u>
Net increase (decrease) in cash and cash equivalents	375,587	(209,793)
Cash and cash equivalents at beginning of period	<u>526,030</u>	<u>635,186</u>
Cash and cash equivalents at end of period	<u>\$ 901,617</u>	<u>\$ 425,393</u>

Page 7 of 10
Adobe Reports Record Revenue

Non-GAAP Results

(In thousands, except per share data)

The following table shows Adobe's non-GAAP results reconciled to GAAP results included in this release.

	<u>June 1, 2007</u>	<u>June 2, 2006</u>	<u>March 2, 2007</u>
GAAP operating income	\$ 180,391	\$ 147,908	\$ 146,337
SFAS 123R stock-based compensation	33,146	26,622	24,935
Amortization of Macromedia stock-based compensation	6,491	15,259	6,917
Restructuring and other charges	—	1,235	—
Amortization of purchased intangibles and incomplete technology	62,026	52,041	45,644
Non-GAAP operating income	<u>\$ 282,054</u>	<u>\$ 243,065</u>	<u>\$ 223,833</u>
GAAP net income	\$ 152,505	\$ 123,097	\$ 143,851
SFAS 123R stock-based compensation, net of tax	23,355	19,085	18,075
Amortization of Macromedia stock-based compensation, net of tax	4,732	10,939	5,014
Restructuring and other charges, net of tax	—	885	—
Amortization of purchased intangibles and incomplete technology, net of tax	45,335	37,308	32,606
R&D tax benefit, net of tax	—	—	(12,330)
Investment gain, net of tax	(2,712)	(1,909)	(3,592)
Non-GAAP net income	<u>\$ 223,215</u>	<u>\$ 189,405</u>	<u>\$ 183,624</u>
Diluted net income per share:			
GAAP net income	\$ 0.25	\$ 0.20	\$ 0.24
SFAS 123R stock-based compensation, net of tax	0.04	0.03	0.03
Amortization of Macromedia stock-based compensation, net of tax	0.01	0.02	0.01
Restructuring and other charges, net of tax	—	—	—
Amortization of purchased intangibles and incomplete technology, net of tax	0.07	0.06	0.05
R&D tax benefit, net of tax	—	—	(0.02)
Investment gain, net of tax	—	—	(0.01)
Non-GAAP net income	<u>\$ 0.37</u>	<u>\$ 0.31</u>	<u>\$ 0.30</u>
Shares used computing diluted net income per share	<u>603,417</u>	<u>613,804</u>	<u>604,249</u>

Page 8 of 10
Adobe Reports Record Revenue

The following table shows the Company's reconciliation of non-GAAP to GAAP operating expense for the quarters ended June 1, 2007, June 2, 2006, and March 2, 2007.

	<u>June 1, 2007</u>	<u>June 2, 2006</u>	<u>March 2, 2007</u>
GAAP operating expenses	\$ 473,972	\$ 421,941	\$ 430,807
SFAS 123R stock-based compensation	(32,364)	(25,945)	(24,454)
Amortization of Macromedia stock-based compensation	(5,734)	(13,510)	(6,194)
Restructuring and other charges	—	(1,235)	—
Amortization of purchased intangibles and incomplete technology	(18,924)	(17,806)	(17,725)
Non-GAAP operating expenses	<u>\$ 416,950</u>	<u>\$ 363,445</u>	<u>\$ 382,434</u>

The following table shows the Company's reconciliation of non-GAAP to GAAP operating margin for the quarter ended June 1, 2007, June 2, 2006, and March 2, 2007.

	<u>June 1, 2007</u>	<u>June 2, 2006</u>	<u>March 2, 2007</u>
GAAP operating margin	24.2%	23.3%	22.5%
SFAS 123R stock-based compensation	4.4	4.2	3.8
Amortization of Macromedia stock-based compensation	0.9	2.4	1.1
Restructuring and other charges	—	0.2	—
Amortization of purchased intangibles and incomplete technology	8.3	8.2	7.1
Non-GAAP operating margin	<u>37.8%</u>	<u>38.3%</u>	<u>34.5%</u>

The following table shows the Company's reconciliation of non-GAAP to GAAP effective tax rate for the quarter ended June 1, 2007.

	<u>June 1, 2007</u>
GAAP effective income tax rate	25.6%
SFAS 123R stock-based compensation	0.3
Amortization of Macromedia stock-based compensation	0.1
Investment gain	(0.1)
Amortization of purchased intangibles and incomplete technology	0.3
Non-GAAP effective income tax rate	<u>26.2%</u>

Page 9 of 10
Adobe Reports Record Revenue

Third Quarter Fiscal Year 2007 Non-GAAP Financial Targets

The following tables show Adobe's non-GAAP financial targets reconciled to GAAP financial targets included in this release.

	Third Quarter Fiscal 2007	
	Low	High
GAAP operating margin	27.0%	28.0%
SFAS 123R stock-based compensation	5.0	4.4
Amortization of Macromedia stock-based compensation	0.8	0.8
Amortization of purchased intangibles and incomplete technology	6.2	5.8
Non-GAAP operating margin	<u>39.0%</u>	<u>39.0%</u>
Diluted net income per share:		
GAAP net income per share	\$ 0.28	\$ 0.31
SFAS 123R stock-based compensation, net of tax	0.04	0.04
Amortization of Macromedia stock-based compensation, net of tax	0.01	0.01
Amortization of purchased intangibles and incomplete technology, net of tax	0.06	0.05
Non-GAAP net income per share	<u>\$ 0.39</u>	<u>\$ 0.41</u>
Shares used in computing diluted net income per share	<u>609.0</u>	<u>607.0</u>
GAAP effective income tax rate	25.0%	26.0%
SFAS 123R stock-based compensation	0.5	0.5
Amortization of Macromedia stock-based compensation	0.1	0.1
Amortization of purchased intangibles and incomplete technology	0.5	0.5
Investment gain	(0.1)	(0.1)
Non-GAAP effective income tax rate	<u>26.0%</u>	<u>27.0%</u>

Adobe continues to provide all information required in accordance with GAAP, but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Accordingly, Adobe uses non-GAAP financial information to evaluate its ongoing operations and for internal planning and forecasting purposes. Adobe's management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Adobe presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Adobe's operating results in a manner that focuses on what Adobe believes to be its ongoing business operations. Adobe's management believes it is useful for itself and investors to review, as applicable, both GAAP information that includes the stock-based compensation impact of SFAS 123R and related tax impact, amortization of Macromedia stock-based compensation and related tax impact, restructuring and other charges and related tax impact, amortization of purchased intangibles and incomplete technology and related tax impact, investment gains and losses and related tax impact, the net tax impact of the R&D tax benefit, the income tax effect of the non-GAAP pre-tax adjustments from the provision for income taxes, and the non-GAAP measures that exclude such information in order to assess the performance of Adobe's business and for

Page 10 of 10
Adobe Reports Record Revenue

planning and forecasting in subsequent periods. Whenever Adobe uses such a non-GAAP financial measure, it provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure as detailed above.



FINANCIAL DISCLAIMER

Factors that may affect future results of operations

Our actual results could differ materially from our forward looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed below. These and many other factors described in this report could adversely affect our operations, performance and financial condition.

Delays in development or shipment of new products or major new versions of existing products could cause a decline in our revenue.

Any delays or failures in developing and marketing our products, including upgrades of current products and the integration of Macromedia products into our product line, may have a harmful impact on our results of operations. We may have particular difficulty and delays developing products that integrate Adobe and Macromedia products, since our products are highly complex, have been designed independently and were designed without regard to such integration. Our inability to extend our core technologies into new applications and new platforms and to anticipate or respond to technological changes could affect continued market acceptance of our products and our ability to develop new products. Delays in product or upgrade introductions could cause a decline in our revenue, earnings or stock price. We cannot determine the ultimate effect these delays or the introduction of new products or upgrades will have on our revenue or results of operations.

Introduction of new products by existing and new competitors could harm our competitive position and results of operations.

The end markets for our software products are intensely and increasingly competitive, and are significantly affected by product introductions and market activities of industry competitors, including Microsoft's Vista operating system which contains a new fixed document format, XPS, which competes with Adobe PDF, and its introduction of Office 12 which offers a feature to save Microsoft Office documents as PDF files through a freely distributed plug-in, which competes with Adobe PDF creation. If these competing products achieve widespread acceptance, our operating results could suffer. In addition, consolidation has occurred among some of the competitors in our markets. Any further consolidations among our competitors may result in stronger competitors and may therefore harm our results of operations. For additional information regarding our competition and the risks arising out of the competitive environment in which we operate, see the section entitled "Competition" contained in Item 1 of our Annual Report on Form 10-K/A.

If we fail to successfully manage transitions to new business models and markets, our results of operations could be negatively impacted.

We are devoting significant resources to the development of technologies and service offerings where we have a limited operating history, including the enterprise and government markets and the mobile and device markets. In the enterprise and government markets, we intend to increase our focus on vertical markets such as education, financial services, manufacturing, and the architecture, engineering and construction markets. With our Adobe Acrobat Connect product line, we intend to increase awareness in targeted horizontal markets such as training and marketing and vertical markets such as manufacturing, financial services and telecommunications. These new offerings and markets require a considerable investment of technical, financial and sales resources, and a scalable organization. Many of our competitors may have advantages over us due to their larger presence, larger developer network, deeper experience in the enterprise and government markets and the mobile and device markets, and greater sales and marketing resources. In the mobile and device markets, our intent is to license our technology to device makers, manufacturers and telecommunications carriers that embed our technology on their platforms, and in the enterprise and government market our intent is to form strategic alliances with leading enterprise and government solutions and service providers to provide additional resources to further enable penetration of such markets. If we are unable to successfully enter into strategic alliances with device makers, manufacturers, telecommunication carriers and leading enterprise and government solutions and service providers, or if they are not as productive as we anticipate, our market penetration may not proceed as rapidly as we anticipate and our results of operations could be negatively impacted. Another development is the software-as-a-service business model, by which companies provide applications, data and related services over the Internet. Providers use primarily advertising or subscription-based revenue models. Recent advances in computing and communications technologies have made this model viable and could enable the rapid growth of some of our competitors. We are exploring the development of our own software-as-a-service strategies. It is uncertain whether these strategies will prove successful. Additionally, customer requirements for "open standards" or "open source" products could impact adoption or use with respect to some of our products.

Adverse changes in general economic or political conditions in any of the major countries in which we do business could adversely affect our operating results.

If the economy worsens in any geographic areas where we do business, it would likely cause our future results to vary materially from our targets. A slower economy also may adversely affect our ability to grow. Political instability in any of the major countries in which we do business also may adversely affect our business.

Revenues from our new businesses may be difficult to predict.

As previously discussed, we are devoting significant resources to the development of product and service offerings where we have a limited operating history. This makes it difficult to predict revenues. Additionally, we intend to expand the use of our Mobile and Device Solutions by licensing our products for use in mobile phones, set-top boxes, game devices, personal digital assistants, hand-held computers and other consumer electronic devices; however, we have a limited history of licensing products in these markets and may experience a number of factors that will make our revenue less predictable, including longer than expected sales and implementation cycles, potential deferral of revenue due to multiple-element revenue arrangements and alternate licensing arrangements.

If we fail to anticipate and develop new products in response to changes in demand for application software, computers, printers, or other non PC-devices our business could be harmed.

Any failure to anticipate changing customer requirements and develop and deploy new products in response to changing market conditions may have a material impact on our results of operations. As previously discussed, we plan to release numerous new product offerings and upgrade versions of our current products in connection with our transition to new business models and the acquisition of Macromedia. Market acceptance of our new product or version releases will be dependent on our ability to include functionality and usability in such releases that address the requirements of customer demographics with which we have limited prior experience. To the extent we incorrectly estimate customer requirements for such products and version releases or if there is a delay in market acceptance of such products and version releases, our business could be harmed.

We offer our Creative Solutions and Knowledge Worker Solutions application-based products primarily on Windows and Macintosh platforms and on some UNIX platforms. We generally offer our server-based products, but not desktop application products, on the Linux platform as well as the Windows and UNIX platforms. To the extent that there is a slowdown of customer purchases of personal computers on either the Windows or Macintosh platform or in general, or to the extent that significant demand arises for our products or competitive products on the Linux desktop platform before we choose and are able to offer our products on this platform, our business could be harmed. Additionally, to the extent that we have difficulty transitioning product or version releases to new Windows and Macintosh operating systems, e.g., porting our applications to the "Mactel" platform, or to the extent new releases of operating systems or other third party products make it more difficult for our products to perform, our business could be harmed.

We may incur substantial costs enforcing or acquiring intellectual property rights and defending against third-party claims as a result of litigation or other proceedings.

In connection with the enforcement of our own intellectual property rights, the acquisition of third-party intellectual property rights or disputes relating to the validity or alleged infringement of third-party rights, including patent rights, we have been, are currently and may in the future be subject to claims, negotiations or complex, protracted litigation. Intellectual property disputes and litigation are typically very costly and can be disruptive to our business operations by diverting the attention and energies of management and key technical personnel. Although we have successfully defended or resolved past litigation and disputes, we may not prevail in any ongoing or future litigation and disputes. We may incur significant costs in acquiring the necessary third party intellectual property rights for use in our products. Third party intellectual property disputes could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on less favorable terms, prevent us from manufacturing or licensing certain of our products, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments with our customers including contractual provisions under various license arrangements any one of which could seriously harm our business.

We may not be able to protect our intellectual property rights, including our source code, from third-party infringers, or unauthorized copying, use, disclosure or malicious attack.

Although we defend our intellectual property rights and combat unlicensed copying and use of software and intellectual property rights through a variety of techniques, preventing unauthorized use or infringement of our rights is inherently difficult. We actively pursue software pirates as part of our enforcement of our intellectual property rights, but we nonetheless lose revenue due to illegal use of our software. If piracy activities increase, it may further harm our business.

Additionally, we take significant measures to protect the secrecy of our confidential information and trade secrets, including our source code (the detailed program commands for our software programs). If unauthorized disclosure of our source code occurs, we could potentially lose future trade secret protection for that source code. The loss of future trade secret protection could make it easier for third parties to compete with our products by copying functionality, which could adversely affect our revenue and operating margins. We also seek to protect our confidential information and trade secrets through the use of non-disclosure agreements with our customers, contractors, vendors, and partners. However there is a risk that our confidential information and trade secrets may be disclosed or published without our authorization, and in these situations it may be difficult and or costly for us to enforce our rights.

We also devote significant resources to maintaining the security of our products from malicious hackers who develop and deploy viruses, worms, and other malicious software programs that attack our products. Nevertheless, actual or perceived security vulnerabilities in our products could harm our reputation and lead some customers to seek to return products, to reduce or delay future purchases, to use competitive products or to make claims against us. Also, with the introduction of hosted services with some of our product offerings, our customers may use such services to share confidential and sensitive information. If a breach of security occurs on these hosted systems, we could be held liable to our customers. Additionally, such breaches could lead to interruptions, delays and data loss and protection concerns as well as harm to our reputation.

We may not realize the anticipated benefits of past or future acquisitions, and integration of these acquisitions may disrupt our business and management.

We have in the past and may in the future acquire additional companies, products or technologies. We may not realize the anticipated benefits of an acquisition and each acquisition has numerous risks. These risks include:

- difficulty in assimilating the operations and personnel of the acquired company;
- difficulty in effectively integrating the acquired technologies or products with our current products and technologies;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- disruption of our ongoing business and distraction of our management and employees from other opportunities and challenges due to integration issues;
- difficulty integrating the acquired company's accounting, management information, human resources and other administrative systems;
- inability to retain key technical and managerial personnel of the acquired business;
- inability to retain key customers, distributors, vendors and other business partners of the acquired business;
- inability to achieve the financial and strategic goals for the acquired and combined businesses;
- incurring acquisition-related costs or amortization costs for acquired intangible assets that could impact our operating results;
- potential impairment of our relationships with employees, customers, partners, distributors or third-party providers of technology or products;
- potential failure of the due diligence processes to identify significant issues with product quality, architecture and development, or legal and financial contingencies, among other things;
- incurring significant exit charges if products acquired in business combinations are unsuccessful;
- potential inability to assert that internal controls over financial reporting are effective;
- potential inability to obtain, or obtain in a timely manner, approvals from governmental authorities, which could delay or prevent such acquisitions; and
- potential delay in customer and distributor purchasing decisions due to uncertainty about the direction of our product offerings

Mergers and acquisitions of high technology companies are inherently risky, and ultimately, if we do not complete the integration of acquired businesses successfully and in a timely manner, we may not realize the anticipated benefits of the acquisitions to the extent anticipated, which could adversely affect our business, financial condition or results of operations.

We rely on distributors to sell our products and any adverse change in our relationship with our distributors could result in a loss of revenue and harm our business.

We distribute our application products primarily through distributors, resellers, retailers and increasingly systems integrators, ISVs and VARs (collectively referred to as "distributors"). A significant amount of our revenue for application products is from two distributors, Ingram Micro, Inc. and Tech Data Corporation. In addition, our channel program focuses our efforts on larger distributors, which has resulted in our dependence on a relatively small number of distributors licensing a large amount of our products. Our distributors also sell our competitors' products, and if they favor our competitors' products for any reason, they may fail to market our products as effectively or to devote resources necessary to provide effective sales, which would cause our results to suffer. In addition, the financial health of these distributors and our continuing relationships with them are important to our success. Some of these distributors may be unable to withstand adverse changes in business conditions. Our business could be seriously harmed if the financial condition of some of these distributors substantially weakens.

Catastrophic events may disrupt our business.

We are a highly automated business and rely on our network infrastructure and enterprise applications, internal technology systems and our Website for our development, marketing, operational, support, hosted services and sales activities. A disruption or failure of these systems in the event of a major earthquake, fire, telecommunications failure, cyber-attack, terrorist attack, or other catastrophic event could cause system interruptions, delays in our product development and loss of critical data and could prevent us from fulfilling our customers' orders. Our corporate headquarters, a significant portion of our research and development activities, our data centers, and certain other critical business operations are located in San Jose, California, which is near major earthquake faults. We have developed disaster recovery plans and backup systems to reduce the potentially adverse effect of such events, but a catastrophic event that results in the destruction or disruption of any of our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be adversely affected.

We rely on turnkey assemblers and any adverse change in our relationship with our turnkey assemblers could result in a loss of revenue and harm our business.

We currently rely on six turnkey assemblers of our products, with at least two turnkeys located in each major region we serve. If any significant turnkey assembler terminates its relationship with us, or if our supply from any significant turnkey assembler is interrupted or terminated for any other reason, we may not have enough time or be able to replace the supply of products replicated by that turnkey assembler to avoid serious harm to our business.

Our future operating results are difficult to predict and are likely to fluctuate substantially from quarter to quarter and as a result the market price of our common stock may be volatile and our stock price could decline.

As a result of a variety of factors discussed herein, our quarterly revenues and operating results for a particular period are difficult to predict. Our revenues may grow at a slower rate than experienced in previous periods and, in particular periods, may decline. Additionally, we periodically provide operating model targets. These targets reflect a number of assumptions, including assumptions about product pricing and demand, economic and seasonal trends, competitive factors, manufacturing costs and volumes, the mix of shrink-wrap and licensing revenue, full and upgrade products, distribution channels and geographic markets. If one or more of these assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated or projected.

Due to the factors noted above, our future earnings and stock price may be subject to volatility, particularly on a quarterly basis. Shortfalls in revenue or earnings or delays in the release of products or upgrades compared to analysts' or investors' expectations have caused and could cause in the future an immediate and significant decline in the trading price of our common stock. Additionally, we may not learn of such shortfalls or delays until late in the fiscal quarter, which could result in an even more immediate and greater decline in the trading price of our common stock. Finally, we participate in a highly dynamic industry. In addition to factors specific to us, changes in analysts' earnings estimates for us or our industry, and factors affecting the corporate environment, our industry, or the securities markets in general, have resulted, and may in the future result, in volatility of our common stock price.

We are subject to risks associated with international operations which may harm our business.

We typically generate over 50% of our total revenue from sales to customers outside of the Americas. Sales to these customers subject us to a number of risks, including (i) foreign currency fluctuations, (ii) changes in government preferences for software procurement, (iii) international economic and political conditions, (iv) unexpected changes in, or impositions of, international legislative or regulatory requirements, (v) inadequate local infrastructure, (vi) delays resulting from difficulty in obtaining export licenses for certain technology, tariffs, quotas and other trade barriers and restrictions, (vii) transportation delays, (viii) the burdens of complying with a variety of foreign laws, including more stringent consumer and data protection laws, and other factors beyond our control, including terrorism, war, natural disasters and diseases. If sales to any of our customers outside of the Americas are delayed or cancelled because of any of the above factors, our revenue may be negatively impacted.

We may incur losses associated with currency fluctuations and may not be able to effectively hedge our exposure.

Our operating results are subject to fluctuations in foreign currency exchange rates. We attempt to mitigate a portion of these risks through foreign currency hedging, based on our judgment of the appropriate trade-offs among risk, opportunity and expense. We have established a hedging program to partially hedge our exposure to foreign currency exchange rate fluctuations, primarily the Japanese yen and the euro. We regularly review our hedging program and will make adjustments as necessary based on the judgment factors discussed above. Our hedging activities may not offset more than a portion of the adverse financial impact resulting from unfavorable movement in foreign currency exchange rates, which could adversely affect our financial condition or results of operations.

***Changes in, or interpretations of, accounting principles could result in unfavorable accounting charges.***

We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. A change in these principles can have a significant effect on our reported results and may even retroactively affect previously reported transactions. Our accounting principles that recently have been or may be affected by changes in the accounting principles are as follows:

- software revenue recognition;
- accounting for stock-based compensation;
- accounting for income taxes; and
- accounting for business combinations and related goodwill

In particular, in the first quarter of fiscal 2006, we adopted SFAS 123R which requires the measurement of all stock-based compensation to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in our consolidated statements of income. The adoption of SFAS 123R had a significant adverse effect on our reported financial results. It will continue to significantly adversely affect our reported financial results and may impact the way in which we conduct our business. Please refer to Note 6 of our Notes to Consolidated Financial Statements for further information regarding the impact of SFAS 123R.

If our goodwill or amortizable intangible assets become impaired we may be required to record a significant charge to earnings.

Under generally accepted accounting principles, we review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include a decline in stock price and market capitalization, future cash flows, and slower growth rates in our industry. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined resulting in an impact on our results of operations.

Changes in, or interpretations of, tax rules and regulations may adversely affect our effective tax rates.

Unanticipated changes in our tax rates could affect our future results of operations. Our future effective tax rates could be unfavorably affected by changes in tax laws or the interpretation of tax laws, by unanticipated decreases in the amount of revenue or earnings in countries with low statutory tax rates, or by changes in the valuation of our deferred tax assets and liabilities. In addition, we are subject to the continual examination of our income tax returns by the Internal Revenue Service and other domestic and foreign tax authorities, including a current examination by the Internal Revenue Service for our fiscal 2001, 2002 and 2003 tax returns, primarily related to our intercompany transfer pricing. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result from the current examination. We believe such estimates to be reasonable; however, there can be no assurance that the final determination of any of these examinations will not have an adverse effect on our operating results and financial position.

If we are unable to recruit and retain key personnel our business may be harmed.

Much of our future success depends on the continued service and availability of our senior management, including our Chief Executive Officer and other members of our executive team. These individuals have acquired specialized knowledge and skills with respect to Adobe. The loss of any of these individuals could harm our business. Our business is also dependent on our ability to retain, hire and motivate talented, highly skilled personnel. Experienced personnel in the information technology industry are in high demand and competition for their talents is intense, especially in the Silicon Valley, where the majority of our employees are located. We have relied on our ability to grant equity compensation as one mechanism for recruiting and retaining such highly skilled personnel. Recently enacted accounting regulations requiring the expensing of equity compensation may impair our ability to provide these incentives without incurring significant compensation costs. If we are unable to continue to successfully attract and retain key personnel, our business may be harmed.

We may suffer losses from our equity investments which could harm our business.

We hold equity investments in public companies that have experienced significant declines in market value. We also have investments and plan to continue to make future investments in privately held companies, many of which are considered in the start-up or development stages. These investments are inherently risky, as the market for the technologies or products these companies have under development is typically in the early stages and may never materialize. Our investment activities can impact our net income. Future price fluctuations in these securities and any significant long-term declines in value of any of our investments could reduce our net income in future periods.