

**Q3 Fiscal Year 2011 Earnings Call Script
FINAL Draft**

MIKE SAVIAGE

Good afternoon and thank you for joining us today.

Joining me on the call are Adobe's President and CEO, Shantanu Narayen, as well as Mark Garrett, Executive Vice President and CFO.

In the call today, we will discuss Adobe's third quarter fiscal year 2011 financial results. By now, you should have a copy of our earnings press release – which crossed the wire approximately one hour ago. If you need a copy of the press release, you can go to Adobe.com under the Company and News Room links to find an electronic copy.

Before we get started, I want to emphasize that some of the information discussed in this call, particularly our revenue and operating model targets, and our forward-looking product plans, is based on information as of today, September 20th, 2011, and 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 these risks and uncertainties, you should review the Forward-Looking Statements Disclosure in the earnings press release we issued today, as well as Adobe's SEC filings.

During this call, we will discuss GAAP and non-GAAP financial measures. A reconciliation between the two is available in today's earnings release and on our investor relations website in the Investor data sheet.

Call participants are advised that the audio of this conference call is being broadcast live over the Internet in Adobe Connect, and is also being recorded for playback purposes. An archive of the call will be made available on Adobe's Investor Relations web site for approximately 45 days, and is the property of Adobe Systems. The audio and archive may not be re-recorded, or otherwise reproduced or distributed without prior written permission from Adobe Systems.

I will now turn the call over to Shantanu.

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SHANTANU NARAYEN

Thanks Mike and good afternoon.

In Q3 we delivered revenue and earnings within our targeted ranges. Revenue in the quarter was 1 billion 13 million dollars, with non-GAAP earnings per share of 55 cents.

Highlights in the quarter include record education revenue, strong growth in our digital video products, solid performance with Acrobat, continued bookings momentum in Digital Marketing, and non-GAAP earnings at the high-end of our targeted range.

In today's call, Mark will first review our financial results in the quarter and provide our Q4 outlook. Following that, I will spend some time outlining some important strategic shifts we are making as a company.

Mark.

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MARK GARRETT

Thanks Shantanu.

In the third quarter of fiscal 2011, Adobe achieved revenue of 1 billion 13 million dollars. This compares to \$990.3 million reported in Q3 fiscal 2010; and \$1 billion 23 million reported last quarter.

Q3 GAAP operating expenses were \$634.4 million, compared to \$589.2 million reported in Q3 fiscal 2010; and \$637.3 million last quarter. Non-GAAP operating expenses in Q3 were \$560.1 million, compared to \$524.7 million reported for Q3 fiscal 2010; and \$556.7 million last quarter.

GAAP operating income in Q3 fiscal 2011 was \$274.1 million, or 27.1% of revenue. This compares to GAAP operating income of \$302 million, or 30.5% of revenue in Q3 fiscal 2010, and \$276.7 million, or 27% of revenue last quarter. Non-GAAP operating income in Q3 fiscal 2011 was \$366.1 million, or 36.1% of revenue. This compares to non-GAAP operating income of \$384.9 million, or 38.9% of revenue in Q3 fiscal 2010, and \$376.4 million, or 36.8% of revenue last quarter.

Adobe's effective GAAP tax rate in Q3 was 24%, and the effective non-GAAP tax rate was 22%. The difference between the GAAP and the non-GAAP tax rates is due to our acquisition of Echosign during the quarter.

GAAP diluted earnings per share for Q3 fiscal 2011 were 39 cents. This compares with GAAP diluted earnings per share of 44 cents reported in Q3 fiscal 2010, and GAAP diluted earnings per share of 45 cents reported last quarter. Non-GAAP diluted earnings per share for Q3 fiscal 2011 were 55 cents. This compares with non-GAAP diluted earnings per share of 54 cents in Q3 fiscal 2010, and 55 cents reported last quarter.

I will now discuss Adobe's results in Q3 by business segment.

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Creative and Interactive Solutions segment revenue in Q3 was \$417.9 million, compared to \$416.9 million in Q3 fiscal 2010, and \$433.1 million last quarter.

Digital Media Solutions Q3 revenue was \$151.1 million, compared to \$157.7 million in Q3 fiscal 2010, and \$136.7 million last quarter.

Creative Suite revenue in Q3 was consistent with revenue achieved in the year ago quarter, demonstrating that CS 5.5 continues to maintain the solid run-rate that CS5 established. We also had a strong quarter and record revenue in the education market in Q3.

When comparing the performance of recent Creative Suite releases, CS5 and CS5.5 combined revenue has now achieved approximately the same amount of revenue that we achieved with CS3 for the comparable amount of time, and has exceeded revenue achieved with CS4 by approximately 25%.

Our subscription offering with CS5.5 is attracting new users. More than a third of the subscribers had never bought an Adobe product before, and two thirds of subscribers to date tell us they would not have purchased without this offering.

We will continue to target Final Cut Pro and Avid customers with our “Switcher Program” and believe we are gaining market share in digital video with our Premiere Pro and Production Premium products.

Digital Enterprise Solutions revenue was \$270.4 million in Q3, compared to \$256.1 million in Q3 fiscal 2010, and \$283.5 million last quarter.

Within Digital Enterprise Solutions, Knowledge Worker revenue was \$174.6 million, compared to \$162.6 million in Q3 fiscal 2010, and \$182 million last quarter. Our 7% year-over-year growth demonstrates the continued strength of Acrobat as a standard tool in small and large enterprises.

Our Q3 acquisition of Echosign, a leading web-based provider of electronic signatures and signature automation, enhances our document exchange capabilities, and will be a key part of our goal to increase the value of Acrobat in the document access, review and approval processes.

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Enterprise segment revenue was \$95.8 million, compared to \$93.5 million in Q3 fiscal 2010, and \$101.5 million last quarter. We continue to see strong demand for the combination of our Day content management and Omniture Online Marketing solution. As a result we are focusing more field resources on the integrated product line.

Omniture segment revenue in Q3 was \$118.2 million, compared to \$99.8 million reported in Q3 of fiscal 2010, and \$115.9 million last quarter.

Omniture year-over-year bookings growth continues to exceed 20%, and enterprise renewal rates remained strong at 95% in the quarter. Mobile and tablet device traffic remains the fastest growing part of the Omniture business, with the number of transactions we measured from mobile devices growing to 11% of total transactions in Q3, up from 7% last quarter.

Omniture revenue diversification continued, with SiteCatalyst decreasing to 50% of Q3 Omniture product revenue. Conversion and multi-channel analytics products are growing in size as the analytics business becomes a smaller percentage of the business.

We are seeing strong demand for our new Demdex and SocialAnalytics offerings. Our SocialAnalytics product is the industry's first analytics solution to tie social activity to business results.

Finally, Print and Publishing segment revenue was \$55.6 million, compared to \$59.8 million in Q3 fiscal 2010, and \$54 million last quarter.

Turning to our geographic segments in Q3, results on a percent of revenue basis were as follows:

The Americas 50%

Europe 29%

Asia 21%

We experienced stable demand in the Americas and Asia. The weakness in EMEA that we experienced in Q2 continued into Q3.

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From a year-over-year currency perspective, FX increased revenue by \$37.6 million. We had no hedge gains in Q3 FY11, versus an \$13.2 million hedge gain in Q3 FY10; thus the net year-over-year currency increase to revenue considering hedging gains was \$24.4 million.

From a quarter-over-quarter perspective, FX increased revenue by \$4.6 million. We had no hedge gains in Q3 FY11, versus a \$0.2 million hedge gain in Q2 FY11; thus the net sequential currency increase to revenue considering hedging gains was \$4.4 million.

Employees at the end of Q3 totaled 10,041, versus 9,770 at the end of the last quarter.

Our trade DSO was 50 days, which compares to 45 days in the year-ago quarter, and 51 days last quarter. Our global channel inventory position at the end of the quarter was within company policy.

During the quarter, cash flow from operations was \$325 million. Our ending cash and short-term investment position was \$2.7 billion, compared to \$2.6 billion at the end of Q2. Deferred revenue in the quarter increased by approximately \$2 million in the quarter to a total of \$484 million.

In Q3, we repurchased approximately 3.6 million shares at a total cost of \$100 million. Entering Q4, \$355 million of stock repurchase authority remains against the \$1.6 billion stock repurchase authorization announced in July of last year.

This concludes my discussion of our financial results. I would now like to comment on our financial targets for the fourth quarter of fiscal 2011.

We are targeting a Q4 revenue range between 1 billion 75 million and 1 billion 125 million dollars.

At the midpoint of this targeted range, we would expect all of our business segments to grow sequentially, except Print & Publishing – which we expect to be relatively flat. We would also expect all of our major geographies to grow sequentially.

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For margins, we are targeting a Q4 GAAP operating margin range of 26.5% to 29.5%, and a non-GAAP operating margin range of 36% to 38%. We are targeting our Q4 share count to be 497 million to 499 million shares. We are targeting non-operating expense to be between \$17 million and \$21 million on both a GAAP and non-GAAP basis.

For our Q4 effective GAAP and non-GAAP tax rates we are targeting 22%. These targets lead to a GAAP earnings per share range of 41 to 50 cents per share, and a non-GAAP earnings per share range of 57 to 64 cents.

At the high end of our financial targets for our fourth quarter, we will achieve our 10 percent annual revenue growth target as well as earnings growth of 20 percent for the fiscal year.

This concludes my section. I'd now like to turn the call back over to Shantanu.

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SHANTANU NARAYEN

Thanks Mark.

Our industry is in the midst of a major transformation. Tablets and smartphones have become the new devices of choice, software is moving to the Cloud, business models are evolving with subscription offerings and app stores, and technologies like HTML5 are gaining favor.

These trends are having a significant impact on our customers. From publishers to marketers to educational institutions, our customers face the same challenge – they need to create compelling digital content and applications that work on both desktops and devices, and they need to measure the impact of those experiences.

Adobe's heritage is in content authoring. We built the category and we remain the market leader. Today, we enable our core audience of publishers, designers and developers to create the world's best websites, applications and games using our Creative Suite desktop software. We will continue to innovate on the desktop providing new functionality to address the challenges our customers face.

With a shifting landscape that favors HTML5-based content and application delivery, we are doubling down in our investment in this area. CS5.5 delivered enhanced HTML5 capabilities. We recently previewed Adobe Edge, a new HTML5 web motion and interaction design tool, which allows web designers to create cutting-edge animations for their websites. Interest in this tool far exceeded our expectations. We just introduced the beta release of a new product codenamed Muse, which allows designers to create and publish HTML-based websites without writing complex HTML code. We are also contributing new innovations to Webkit to allow for a more expressive Web. These initiatives show our commitment to help drive the evolution of browsers and be the leading tools provider for HTML5, and this is only the beginning.

The explosion of tablets is changing the paradigm for content authoring. We believe that content will be consumed and created on these devices. Similar to the desktop, we intend to be the leading provider of creative authoring applications on tablets.

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We will soon be introducing a broad set of tablet-based and Cloud-connected apps and services across iOS, Android and other mobile platforms that represent a new revenue stream. We are excited about the recent introduction of Adobe Carousel, an innovative new Cloud-connected imaging app for MacOS and iOS devices. As we bring these new products to market, expect to see us place a greater emphasis on new customer acquisition and the introduction of subscription offerings to drive more recurring revenue.

One of the highest priorities for our publishing customers is to deliver, measure and monetize their content on tablets. With CS5 and our Digital Publishing Suite, we've helped our customers deliver over 600 titles through app stores. As more publishers move their magazines, newspapers and catalogs to tablets, our addressable market and our offerings in this space will grow.

In addition to publishers, every major enterprise is moving more of its business online. We are helping our customers re-platform their digital assets, optimize their marketing spend, and drive more digital commerce.

We will continue to integrate our Creative Suite content authoring, our Day content management and our Omniture online marketing solutions to meet the needs of publishers, advertising agencies and marketers. The strong growth in our Omniture and Day bookings this year is evidence of our success in this space already.

In digital marketing, the opportunity is massive – with worldwide ad spend expected to grow to more than \$100 billion by 2013 according to IDC. Adobe's Online Marketing Suite is one of the largest Cloud-based software offerings in the world. Our solutions enable marketers to drive their business across all marketing channels, including web, mobile, email, search, display and social. We are the leader in this category and will continue to introduce new technologies like the Social Analytics product we delivered this quarter. We will also align our field and marketing resources to more aggressively target the digital marketing opportunity, and accelerate the momentum we have already achieved.

Document services and the use of Acrobat and PDF continue to have huge momentum. Content protection and reliable document delivery remain priorities for customers across every segment. Adobe will increase its investment in Cloud-based document exchange services, with electronic signatures being a new growth opportunity.

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At Adobe MAX in early October, we will unveil some of our newest innovations in the Content Authoring arena. In November, we will host a Financial Analyst meeting where we will provide a comprehensive update on our strategy and opportunities.

Thank you for joining us today. Now, I'll turn the call back over to Mike.

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MIKE SAVIAGE

Thanks Shantanu. Before we start Q&A I want to remind everyone about some important dates for Adobe this fall.

As Shantanu mentioned, Adobe MAX is just around the corner. Our annual conference will be held once again in Los Angeles during the week of October 3rd. We are offering a special registration price for Wall Street professionals to attend, and are hosting a special reception with Adobe management for Wall Street attendees. Please email Adobe Investor Relations at ir@adobe.com if you would like information on the agenda and how to register.

Our annual financial analyst meeting will be held in New York City on November 9th. Please save that date, and the formal invitation will be sent out soon.

In regard to today's earnings report, we have posted several documents on our Investor Relations web site today – including a copy of the script containing our prepared remarks for today's call. To access these documents and the other investor-related information, go to www.adobe.com/ADBE.

For those who wish to listen to a playback of today's conference call, a Web-based Adobe Connect archive of the call will be available from the IR page on Adobe.com later today. Alternatively, you can listen to a phone replay by calling 888-203-1112; use conference ID #4657343. Again, the number is 888-203-1112 with ID #4657343. International callers should dial 719-457-0820. The phone playback service will be available beginning at 4pm Pacific Time today, and ending at 4pm Pacific Time on Friday September 23rd, 2011.

We would now be happy to take your questions. Operator.