

ADOBE REPORTS Q2 FINANCIAL RESULTS

Condensed Consolidated Statements of Income

(In thousands, except per share data; unaudited)

	Three Months Ended		Six Months Ended	
	June 2, 2006	June 3, 2005	June 2, 2006	June 3, 2005
Revenue:				
Products	\$ 614,895	\$ 485,620	\$ 1,251,721	\$ 948,767
Services and support	20,561	10,409	39,213	20,144
Total revenue	<u>635,456</u>	<u>496,029</u>	<u>1,290,934</u>	<u>968,911</u>
Total cost of revenue:				
Products	49,269	21,774	112,118	43,629
Services and support	16,338	5,660	31,235	10,774
Total cost of revenue	<u>65,607</u>	<u>27,434</u>	<u>143,353</u>	<u>54,403</u>
Gross profit	569,849	468,595	1,147,581	914,508
Operating expenses:				
Research and development	133,285	89,409	270,828	176,095
Sales and marketing	210,399	154,963	424,215	302,346
General and administrative	59,716	42,019	120,013	83,151
Restructuring and other charges	1,235	—	20,219	—
Amortization of goodwill and purchased intangibles	17,306	—	34,418	—
Total operating expenses	<u>421,941</u>	<u>286,391</u>	<u>869,693</u>	<u>561,592</u>
Operating income	147,908	182,204	277,888	352,916
Non-operating income:				
Investment gain (loss)	2,660	(2,701)	1,395	(4,255)
Interest and other income	13,929	8,305	29,471	15,932
Total non-operating income	<u>16,589</u>	<u>5,604</u>	<u>30,866</u>	<u>11,677</u>
Income before income taxes	164,497	187,808	308,754	364,593
Provision for income taxes	<u>41,400</u>	<u>38,030</u>	<u>80,585</u>	<u>62,921</u>
Net income	<u>\$ 123,097</u>	<u>\$ 149,778</u>	<u>\$ 228,169</u>	<u>\$ 301,672</u>
Basic net income per share	<u>\$ 0.21</u>	<u>\$ 0.31</u>	<u>\$ 0.39</u>	<u>\$ 0.62</u>
Shares used in computing basic net income per share	<u>595,284</u>	<u>488,765</u>	<u>579,679</u>	<u>487,610</u>
Diluted net income per share	<u>\$ 0.20</u>	<u>\$ 0.29</u>	<u>\$ 0.37</u>	<u>\$ 0.59</u>
Shares used in computing diluted net income per share	<u>613,804</u>	<u>508,156</u>	<u>618,582</u>	<u>507,851</u>