

Page 4 of 10
Adobe Reports Solid Third Quarter Financial Results

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

	Three Months Ended		Nine Months Ended	
	September 1, 2006	September 2, 2005	September 1, 2006	September 2, 2005
Revenue:				
Products	\$ 579,185	\$ 476,054	\$ 1,830,905	\$ 1,424,821
Services and support	23,006	10,985	62,220	31,129
Total revenue	<u>602,191</u>	<u>487,039</u>	<u>1,893,125</u>	<u>1,455,950</u>
Total cost of revenue:				
Products	53,308	21,593	165,426	65,222
Services and support	16,171	5,887	47,406	16,661
Total cost of revenue	<u>69,479</u>	<u>27,480</u>	<u>212,832</u>	<u>81,883</u>
Gross profit	532,712	459,559	1,680,293	1,374,067
Operating Expenses:				
Research and development	130,440	94,586	401,268	270,681
Sales and marketing	217,203	143,748	641,418	446,094
General and administrative	57,311	37,637	177,324	120,788
Restructuring and other charges	32	—	20,251	—
Amortization of purchased intangibles	17,693	—	52,111	—
Total operating expenses	<u>422,679</u>	<u>275,971</u>	<u>1,292,372</u>	<u>837,563</u>
Operating income	110,033	183,588	387,921	536,504
Non-operating income:				
Investment loss, net	(5,113)	(2,044)	(3,718)	(6,299)
Interest and other income	18,092	12,420	47,563	28,352
Total non-operating income	<u>12,979</u>	<u>10,376</u>	<u>43,845</u>	<u>22,053</u>
Income before income taxes	123,012	193,964	431,766	558,557
Provision for income taxes	28,616	49,048	109,201	111,969
Net income	<u>\$ 94,396</u>	<u>\$ 144,916</u>	<u>\$ 322,565</u>	<u>\$ 446,588</u>
Basic net income per share	<u>\$ 0.16</u>	<u>\$ 0.29</u>	<u>\$ 0.54</u>	<u>\$ 0.91</u>
Shares used in computing basic net income per share	<u>586,433</u>	<u>491,710</u>	<u>594,023</u>	<u>489,017</u>
Diluted net income per share	<u>\$ 0.16</u>	<u>\$ 0.29</u>	<u>\$ 0.53</u>	<u>\$ 0.88</u>
Shares used in computing diluted net income per share	<u>600,882</u>	<u>507,821</u>	<u>612,791</u>	<u>507,860</u>
Cash dividends declared per share	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.00625</u>