Adobe Systems Provides Intra-Quarter Business Update

Company Reaffirms Fourth Quarter Revenue Target Range


With more than five weeks remaining in its fourth quarter, Adobe reaffirmed it believes the Company will achieve quarterly revenue of $655 to $685 million. This original revenue target range was provided by the Company on September 14, 2006.

Adobe also announced it is increasing its GAAP operating margin and GAAP earnings per share target ranges for the Company’s fourth quarter. The Company stated it is targeting a GAAP operating margin range of 23 to 25 percent in Q4 FY2006, with GAAP earnings per share of $0.29 to $0.32. The Company's original GAAP operating margin target range was 21 to 24 percent, with a GAAP earnings per share target range of $0.19 to $0.22. The increase in these GAAP target ranges is due to a recent gain from the sale of an equity investment, and lower stock compensation expense than was originally targeted for the fourth quarter.

In its business update, Adobe also reaffirmed it believes it will achieve results within its prior Q4 FY2006 non-GAAP financial target ranges. The Company continues to target a non-GAAP operating margin of 37 to 38 percent, with non-GAAP earnings per share of $0.32 to $0.34 in its fourth quarter.

Adobe stated it has experienced solid demand in its major geographic markets quarter-to-date. In addition, the Company stated Adobe Acrobat 8 will start shipping as planned during the first week of November.

The Company plans to report its fourth quarter fiscal 2006 results on December 14, 2006, after the market closes.

Adobe Announces Webcast of Q&A Session with Management at Adobe MAX Conference

Adobe announced it will provide a live Webcast of a question and answer session with executive management occurring today at its 2006 Adobe MAX Conference at 1:30pm eastern time.
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The Q&A session, intended to provide a forum for press, investors and analysts at the conference to ask questions of Adobe management, will last approximately 90 minutes. In addition to answering questions, Adobe's executives will provide a review of the announcements and product demonstrations made at MAX. The speakers will also review today’s intra-quarter business update, which was provided one week earlier than originally planned to coincide with this Q&A session.

Who: Bruce Chizen, chief executive officer
Shantanu Narayen, president and chief operating officer
Randy Furr, executive vice president and chief financial officer
Kevin Lynch, senior vice president and chief software architect

What: Q&A session at 2006 Adobe MAX Conference

When: 1:30 p.m. Eastern Time, Wednesday, October 25, 2006

How: Live over the Internet via Acrobat Connect – simply connect to http://www.adobe.com/go/maxqa and select the option “Enter as a Guest”; or, you can also listen to a live audio Webcast that will be available from the Investor Relations section of Adobe.com at http://www.adobe.com/ADBE

Questions: Contact Adobe Investor Relations at 408-536-4416 or ir@adobe.com

Participation in the Acrobat Connect session requires the latest version of the Adobe Flash Player, and disabling of pop-up blocking software. Listening to the live audio Webcast requires Windows Media Player. Broadcast quality will be best with at least a 28.8 Kbps connection, but will still be available to slower connections. Firewalls designed to protect corporate information can prevent listening to this broadcast.

An archive of the Q&A session will be made available for approximately thirty days on Adobe’s Web site.

Forward Looking Statements Disclosure

This press release contains forward looking statements, including those related to planned product releases, revenue, operating margin and earnings per share, 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, failure to anticipate and develop new products in response to changes in demand for application software, computers and printers, intellectual property 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, interruptions or terminations in Adobe’s relationships with turnkey assemblers, risks associated with international
operations, fluctuations in foreign currency exchange rates, changes in accounting rules and regulations, impairment of Adobe’s goodwill or intangible assets, unanticipated changes in or interpretations of tax rates, Adobe’s inability to attract and retain key personnel, and market risks associated with Adobe’s equity investments. For further discussion of these and other risks and uncertainties, individuals should refer to Adobe’s SEC filings. Adobe does not undertake an obligation to update forward looking statements.

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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.

For the period presented, Adobe’s GAAP financial information and targets include the stock compensation impact of SFAS 123R, amortization of purchased intangibles and incomplete technology, amortization of Macromedia deferred compensation, and tax differences related to the timing and deductibility of the Macromedia acquisition-related charges and SFAS 123R stock-based compensation. Also, in accordance with GAAP, Adobe incurs investment gains and losses from its venture program. These charges are otherwise unrelated to Adobe’s ongoing business operations and are excluded from its non-GAAP financial information and targets.