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Adobe Systems Provides Intra-Quarter Business Update

Fourth Quarter Fiscal Year 2006 Non-GAAP Financial Targets

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

	Fourth Quarter	
	Fiscal 2006	
	Low	High
GAAP operating margin	23%	25%
Amortization of purchased technology	5	5
Amortization of purchased intangibles	3	3
SFAS 123R stock-based compensation	5	4
Amortization of Macromedia deferred compensation	1	1
Non-GAAP operating margin	<u>37%</u>	<u>38%</u>
Diluted net income per share:		
GAAP net income per share	\$ 0.29	\$ 0.32
Amortization of purchased technology, net of tax	0.04	0.04
Amortization of purchased intangibles, net of tax	0.02	0.02
SFAS 123R stock-based compensation, net of tax	0.04	0.03
Amortization of Macromedia deferred compensation, net of tax	0.01	0.01
Investment gain, net of tax	(0.08)	(0.08)
Non-GAAP net income per share	<u>\$ 0.32</u>	<u>\$ 0.34</u>
Shares used in computing diluted net income per share	<u>602.0</u>	<u>600.0</u>

Adobe continues to provide all information required in accordance with GAAP, but it believes that 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 compensation impact of SFAS 123R, amortization of purchased intangibles and incomplete technology, amortization of Macromedia deferred compensation, investment gains and losses, tax differences related to the timing and deductibility of the Macromedia acquisition-related charges and SFAS 123R stock-based compensation, and the non-GAAP measures that exclude such information in order to assess the performance of Adobe's business and for planning and forecasting in subsequent periods. Whenever Adobe uses such a non-GAAP financial measure, it provides a reconciliation of the non-GAAP

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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.