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Adobe Reports Strong Second Quarter Results

Condensed Consolidated Statements of Income

(In thousands, except per share data; unaudited)

	Three Months Ended		Six Months Ended	
	May 30, 2008	June 1, 2007	May 30, 2008	June 1, 2007
Revenue:				
Products	\$ 841,301	\$ 713,469	\$ 1,693,263	\$ 1,333,767
Services and support	45,585	32,108	84,068	61,217
Total revenue	<u>886,886</u>	<u>745,577</u>	<u>1,777,331</u>	<u>1,394,984</u>
Total cost of revenue:				
Products	58,229	70,715	118,034	124,530
Services and support	24,637	20,499	47,307	38,947
Total cost of revenue	<u>82,866</u>	<u>91,214</u>	<u>165,341</u>	<u>163,477</u>
Gross profit	804,020	654,363	1,611,990	1,231,507
Operating expenses:				
Research and development	170,300	150,049	338,785	287,178
Sales and marketing	279,365	236,402	541,960	451,080
General and administrative	77,078	68,597	160,007	129,872
Restructuring and other charges	—	—	1,431	—
Amortization of purchased intangibles and incomplete technology	17,099	18,924	34,198	36,649
Total operating expenses	<u>543,842</u>	<u>473,972</u>	<u>1,076,381</u>	<u>904,779</u>
Operating income	260,178	180,391	535,609	326,728
Non-operating income (expense):				
Interest and other income, net	12,150	20,618	25,440	43,133
Interest expense	(3,828)	(55)	(5,637)	(106)
Investment gains, net	9,506	4,162	18,238	9,763
Total non-operating income, net	<u>17,828</u>	<u>24,725</u>	<u>38,041</u>	<u>52,790</u>
Income before income taxes	278,006	205,116	573,650	379,518
Provision for income taxes	63,096	52,611	139,361	83,162
Net income	<u>\$ 214,910</u>	<u>\$ 152,505</u>	<u>\$ 434,289</u>	<u>\$ 296,356</u>
Basic net income per share	<u>\$ 0.40</u>	<u>\$ 0.26</u>	<u>\$ 0.79</u>	<u>\$ 0.50</u>
Shares used in computing basic net income per share	533,391	587,929	547,996	588,536
Diluted net income per share	<u>\$ 0.40</u>	<u>\$ 0.25</u>	<u>\$ 0.78</u>	<u>\$ 0.49</u>
Shares used in computing diluted net income per share	<u>542,376</u>	<u>603,417</u>	<u>557,703</u>	<u>604,373</u>