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Adobe Provides Preliminary Q4 Fiscal 2008 Results

Non-GAAP Results and Targets

(In millions, except per share data)

The following table reconciles Adobe's preliminary fourth quarter fiscal year 2008 non-GAAP results with preliminary GAAP results included in this release.

	Three Months Ended	
	November 28, 2008	
	<u>Low</u>	<u>High</u>
Diluted earnings per share:		
GAAP diluted earnings per share	\$ 0.45	\$ 0.46
Stock-based and deferred compensation expense, net of tax	0.03	0.03
Restructuring charges, net of tax	0.04	0.04
Amortization of purchased intangibles, technology license arrangements and incomplete technology, net of tax	0.06	0.06
Investment loss, net of tax	0.01	0.01
Non-GAAP diluted earnings per share	<u>\$ 0.59</u>	<u>\$ 0.60</u>
Shares used in computing diluted earnings per share	<u>537.0</u>	<u>533.0</u>

The following table shows the Company's fourth quarter fiscal year 2008 non-GAAP financial targets reconciled to GAAP financial targets included in this release.

	Fourth Quarter	
	Fiscal 2008	
	<u>Low</u>	<u>High</u>
Diluted earnings per share:		
GAAP diluted earnings per share	\$ 0.39	\$ 0.41
Stock-based compensation, net of tax	0.07	0.07
Amortization of purchased intangibles and incomplete technology, net of tax	0.05	0.05
Non-GAAP diluted earnings per share	<u>\$ 0.51</u>	<u>\$ 0.53</u>
Shares used in computing diluted earnings per share.....	<u>548.0</u>	<u>544.0</u>

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The following table shows the Company's first quarter fiscal year 2009 non-GAAP financial targets reconciled to GAAP financial targets included in this release.

	First Quarter Fiscal 2009	
	Low	High
Operating margin:		
GAAP operating margin	26.0%	28.0%
Stock-based and deferred compensation expense.....	5.7	5.4
Restructuring charges	1.6	1.2
Amortization of purchased intangibles, technology license arrangements and incomplete technology.....	3.7	3.4
Non-GAAP operating margin	37.0%	38.0%

Adobe continues to provide all information required in accordance with GAAP, but believes 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 stock-based and deferred compensation expense, restructuring charges, amortization of purchased intangibles, technology license arrangements and incomplete technology, investment gains and losses and the related tax impact of these items, the income tax effect of the non-GAAP pre-tax adjustments from the provision for income taxes, 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 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.