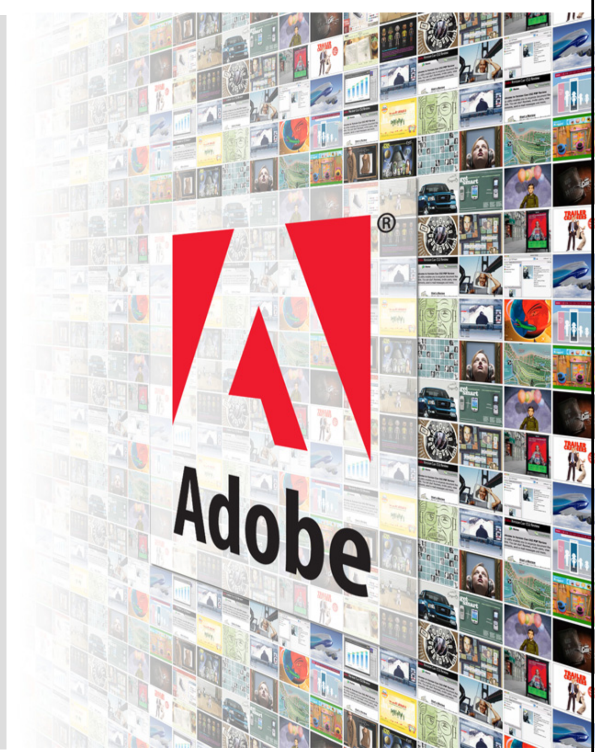
Adobe Systems Incorporated

March, 2008



Financial Disclaimer

Some of the information discussed today contains forward looking statements that involve risk and uncertainty. Actual results may differ materially from those set forth in such statements.

For a discussion of the risks and uncertainties, you should review Adobe's SEC filings, including the annual report on Form10-K for fiscal year 2007 and the quarterly reports on Form 10-Q filed by the company in 2007 and 2008.

In our presentation, we will discuss non-GAAP financial measures. The GAAP financial measures that correspond to such non-GAAP measures, as well as the reconciliation between the two, are available on our website at *http://www.adobe.com/ADBE*.

Adobe does not undertake an obligation to update forward-looking statements.

Market Factors Providing a Great Tailwind

Web Growth	PC Upgrades	Video Growth	Mobile Camera & Device Growth	Personal Creation

55M active websites in 2006 +37% online ads in 2006	150M new Windows Vista and Intel Mac systems in 2007	13M new camcorders in 2006 554M video phones in 2006	2.5B mobile phone users in 2006	175K new blogs per day 280K new MySpace accounts per day

Source: IDC, InfoTrends, O'Reilly Radar, Internet Advertising Bureau

Diverse Customer Base Spans From Consumer to Enterprise

Creative Solutions Business Unit

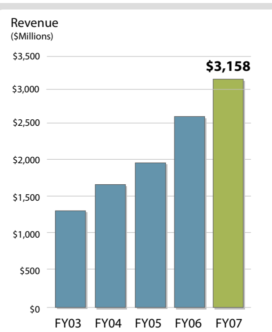
Mobile and Device Solutions Business Unit

Business Productivity Solutions Business Unit

Print and Publishing Business Unit

Platform Business Unit

Strong Business Momentum
Fiscal Year 2007

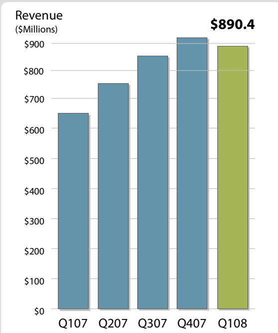


- Record performance in FY 2007
  - Record revenue of $3.158 billion
  - Annual revenue growth of 23%
- 5th consecutive year of double digit growth, with CAGR of 22%

FY2007 Revenue by Business Segment

Business Segment ($Millions)	FY2007	FY2006	Year/Year Growth
Creative	$1,899.0	$1,437.9	32%
Knowledge Worker	$728.5	$657.9	11%
Enterprise & Developer	$230.9	$189.3	22%
Mobile & Device	$52.5	$37.5	40%
Other	$247.0	$252.7	-2%

Strong Financial Results
Q1 FY2008



- Continued strength with CS3 business
- Record Acrobat product family revenue
- 28% year-over-year growth in LiveCycle business
- Successful launch of Adobe AIR

Adobe

Creative Solutions Business Unit

Mobile and Device Solutions Business Unit

Business Productivity Solutions Business Unit

Platform Business Unit

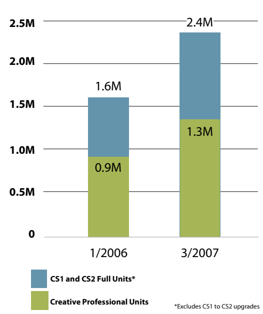
Enable our customers to produce, publish, and monetize compelling content

Technology Platform

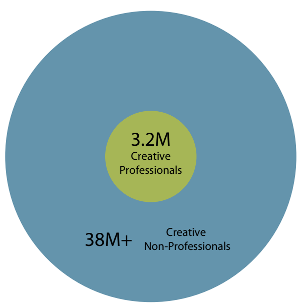
Adobe

Creative Market Opportunity

Creative Suite Penetration



Addressable Market



Source: Adobe Market Research

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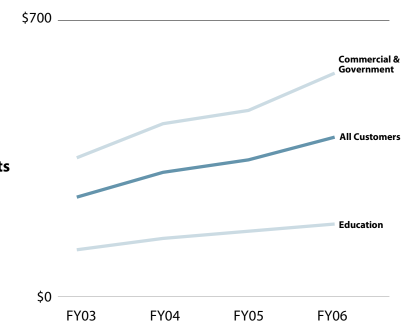
Creative Suite Products
As We Have Delivered More Value, ASPs Have Risen

Average Selling Price of Creative Professional Products

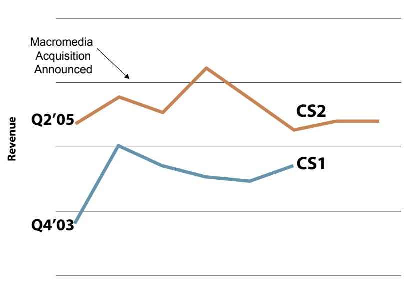


Source: Adobe Market Research

Adobe

Creative Suite Products
Growth and Sustained Revenue Across Entire Life

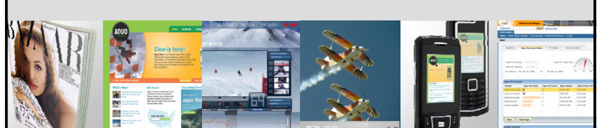
Creative Suite Editions and Point Products



Source: Adobe Market Research

Adobe

Evolution of Publishing

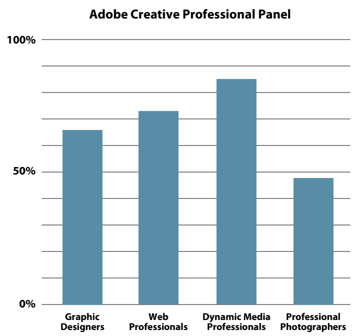


Print | Web | Dynamic Media | Video | Mobile | Rich Internet Applications

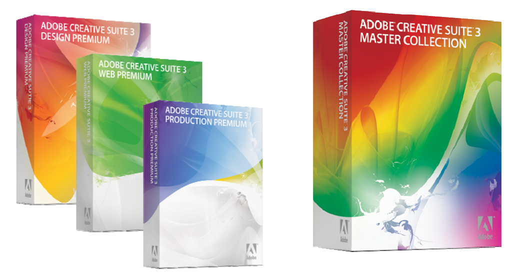
Adobe

Creative Professionals
Their Work Spans Beyond Their Core Expertise

Percent of Creative Professionals Working in More Than One Creative Workflow



Creative Suite 3
Creative Suite Editions Targeted at Key Workflows

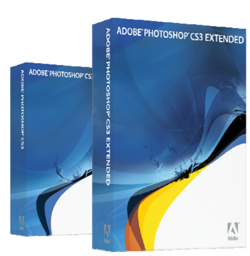


Creative Suite 3
Cross-Product Features

- Consistent user interface
- Cross-product file support
- Latest platform support
  - Intel-based Macs
  - Windows Vista
- Performance optimization
- New and enhanced workflows
- Mobile authoring

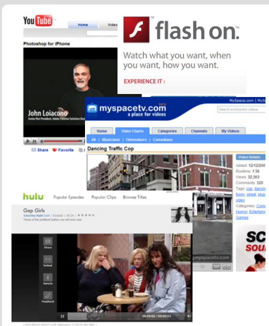
Mobilizing Creative Suite 3

Extending Adobe Photoshop



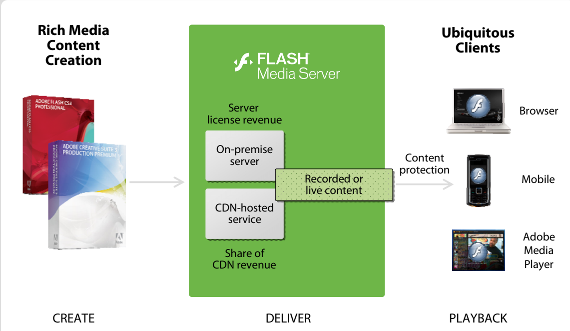
- Photoshop CS3
  - Faster startup time
  - Quick Selection/Refine Edge
  - Nondestructive filters
  - Auto layer align and blend
- Photoshop CS3 Extended
  - Measurement and analysis
  - 3D visualization and texture editing
  - Movie Paint to enhance video
  - Direct video support

Flash Video Momentum



- Broad use of Flash video on the Web
  - Commercial television and media sites
  - YouTube and MySpace
- 76% of broadcasters who stream video use Adobe Flash*
- Adobe's dynamic media product revenue grew 20% year-over-year in Q1 FY2008

Dynamic Media Business Model



Adobe Media Player

- Next generation Internet video solution
- Utilizes Flash video and open standards including H.264
- Enables branding, content monetization (e.g. advertising), and content protection
- Based on Adobe Integrated Runtime
  - Cross-platform
  - Runs outside the Web browser
  - Online and offline viewing

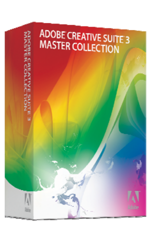
Beyond Shrinkwrap

- Software as a service
- Browser-based, no download
- Simple user interface
- Extending brand to mass market reach
- New revenue models

Mobile and Device Solutions

Three Business Opportunities

Tools

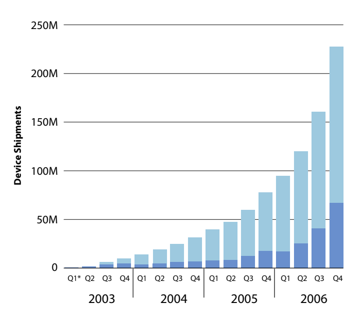


Client

Services

Mobile and Device Client Opportunity

Flash Enabled Device Shipments

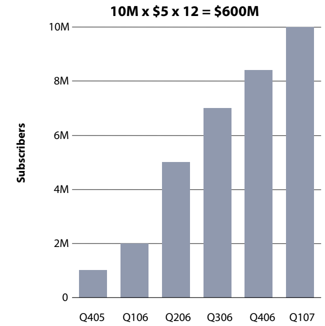


Source: Adobe Market Research

Mobile Services Opportunity
Operators Launching Flash Cast

Mobile Services Opportunity
Annualized NTT DoCoMo i-channel Subscription Revenues

NTT DoCoMo i-channel Deployments and Revenues Using Flash Cast



Mobile Services Opportunity
Video… Here, There, Everywhere

Flash Lite 3
- Supports Flash Video codec
- Now shipping with new devices

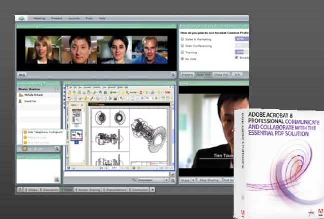
Creative Solutions Business Unit

Mobile and Device Solutions Business Unit

Business Productivity Solutions Business Unit

Platform Business Unit

Enable our customers to communicate and collaborate across boundaries



Technology Platform

AIR

The Document Challenge in Business Processes

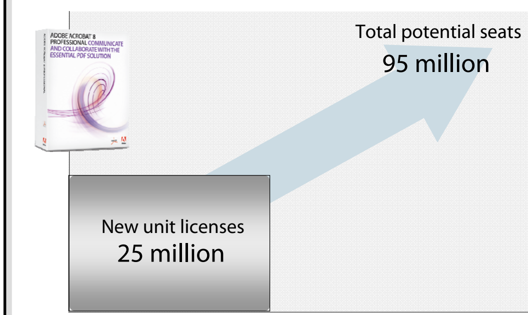
- Bridging paper
- Crossing boundaries
- Ensuring security
- Enabling collaboration

Adobe Acrobat 8

Helping Knowledge Workers worldwide accelerate their work by providing the essential PDF solution for more secure and collaborative electronic document exchange

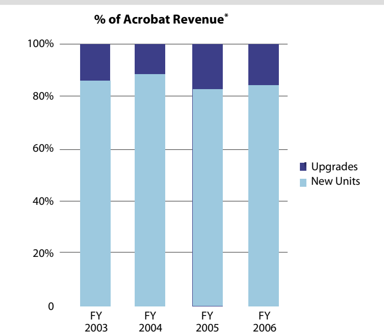
Adobe Acrobat 8
Value Beyond PDF Creation

Acrobat Market Opportunity



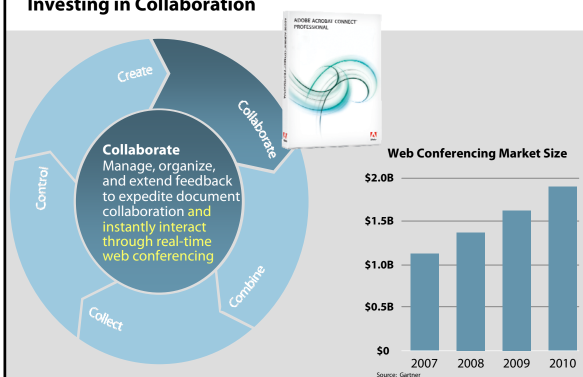
As of December, 2006
Source: Adobe Market Research

New Unit Licenses Drive Acrobat Business



Source: Adobe Market Research
*Excludes OEM revenue; new maintenance revenue included in new seats and renewal maintenance revenue included in upgrade seats

Investing in Collaboration



Acrobat Connect Solutions

- Rich engaging experience
- Easy to join meetings
- On-premise and hosted delivery
- Specific application functionality

The "Engagement" Problem

Distributors & Agencies

Customers & Citizens

Suppliers & Contractors

ENGAGEMENT PROCESSES

New account opening, Broker productivity, Grant administration...

Internal Processes

Back Office Infrastructure

ERP / ECM / CRM / BPM / Accounting

Adobe's Solution

Improve and Streamline People-Centric Business Processes

Distributors & Agencies

Customers & Citizens

Suppliers & Contractors

CLOSING THE ENGAGEMENT GAP

Faster cycle time, more transactions, increased loyalty, regulatory compliance...

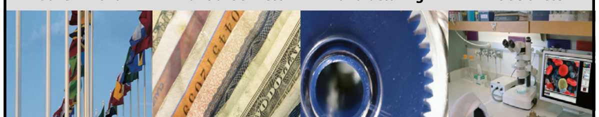
Internal Processes

Back Office Infrastructure

ERP / ECM / CRM / BPM / Accounting

Targeted Enterprise Vertical Markets

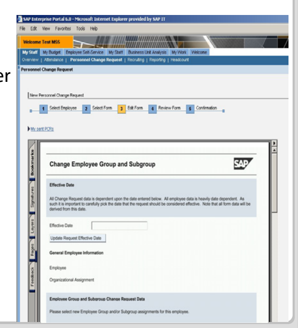
Many Use Case Opportunities



Government	Financial Services	Manufacturing	Life Sciences
Guided Self-Service	Account Opening	Field Service Management	Electronic Submissions
eDisclosure	Loan Automation	Design Collaboration	Clinical Information Management
Certified Documents	Broker Productivity	RFP/Quote Management	Secure Information Exchange (SAFE)
eGrants	Correspondence Management	Engineering Change Management	
Case Management	ACORD XFI		
Tax Submissions	Agent Productivity		

Building Momentum with SAP Interactive Forms

- Adobe LiveCycle deeply integrated with SAP NetWeaver
- Field sales, marketing, and engineering alignment
- Strong royalty growth in FY07



LiveCycle Enterprise Suite

Cross-Platform Clients	Reader	Flash	HTML, AIR
User Interface Technologies	PDF	Flex	
Tooling	Designer	Workbench	Flex Builder
Solution Components	Forms	Process Management	Output
	Barcoded Forms	Connectors for ECM	Rights Management
	Reader Extensions	PDF Generator	Digital Signatures
Foundation	Common Administration, Orchestration, Security, Data Services		

LIVECYCLE

Intelligent Documents + Rich Internet Applications

Existing Customer Infrastructure

Adobe's Enterprise Opportunity

Document Output	Electronic Forms	Rich Internet Applications
Enterprise Rights Management	Digital Signatures	"Human-centric" BPM
	RAD Scripting	

$2.1 Billion Addressable Market

17% CAGR

2007 - 2010

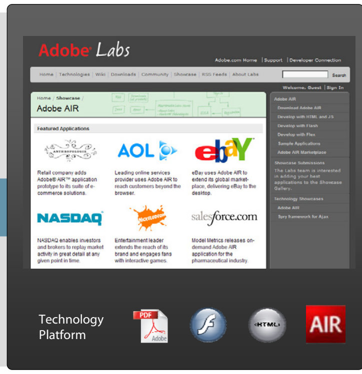
Source: Adobe Market Research

Creative Solutions Business Unit

Mobile and Device Solutions Business Unit

Business Productivity Solutions Business Unit

Platform Business Unit



Adobe Integrated Runtime (AIR)
Empowers Rich Internet Application Development

- Build engaging Web 2.0 desktop applications with standard Web technologies (e.g. HTML, AJAX, Flash, PDF, Java, video, audio)
  - Cross-platform
  - Run outside of the Web browser
- Blend the best of the Web with the best of the desktop
- Create persistent (online and offline), branded desktop experiences

Income Statement
Trailing Five Quarters — GAAP

GAAP $Millions – Except EPS	Q1 FY'07	Q2 FY'07	Q3 FY'07	Q4 FY'07	Q1 FY'08
Revenue	649.4	745.6	851.7	911.2	890.4
GM - % of Revenue	88.9%	87.8%	89.1%	89.2%	90.7%
Operating Expenses	430.8	474.0	504.0	536.8	532.5
Operating Profit	146.3	180.4	255.0	275.8	275.4
% of Revenue	22.5%	24.2%	29.9%	30.3%	30.9%
Interest & Other Income	22.5	20.5	22.7	16.8	11.5
Investment Gain (Loss)	5.6	4.2	(0.7)	(1.9)	8.7
Income Before Taxes	174.4	205.1	277.0	290.7	295.6
Taxes	30.6	52.6	71.8	68.5	76.3
Net Income	143.8	152.5	205.2	222.2	219.3
Diluted Shares	604.2	603.4	597.3	587.9	571.3
GAAP Diluted EPS	0.24	0.25	0.34	0.38	0.38

Income Statement
Trailing Five Quarters — Non-GAAP

Non-GAAP $Millions – Except EPS	Q1 FY'07	Q2 FY'07	Q3 FY'07	Q4 FY'07	Q1 FY'08
Revenue	649.4	745.6	851.7	911.2	890.4
GM - % of Revenue	93.4%	93.8%	92.7%	92.5%	93.3%
Operating Expenses	382.4	417.0	448.4	480.3	471.8
Operating Profit	223.8	282.1	340.9	362.2	359.0
% of Revenue	34.5%	37.8%	40.0%	39.7%	40.3%
Interest & Other Income	22.5	20.5	22.7	16.8	11.5
Income Before Taxes	246.3	302.6	363.5	379.0	370.4
Taxes	62.7	79.4	94.1	89.4	97.4
Net Income	183.6	223.2	269.4	289.6	273.0
Diluted Shares	604.2	603.4	597.3	587.9	571.3
Non-GAAP Diluted EPS	0.30	0.37	0.45	0.49	0.48

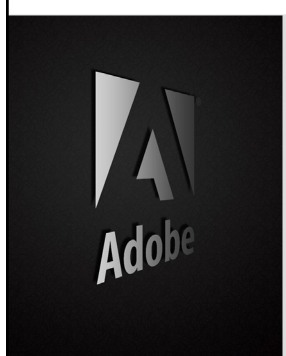
Non-GAAP excludes purchase accounting and restructuring and other charges, acquired in-process research and development, amortization of purchase intangibles and impairment of goodwill, and stock-based compensation impact of SFAS 123R. Reconciliation between GAAP and non-GAAP target ranges can be found on the investor relations page of Adobe's Web site, which is available at http://www.adobe.com/ADBE.

Solid Balance Sheet

- Cash and short-term investments of $1.7 billion*
- Repurchased 33.3 million shares in Q1`08
- Q1`08 trade DSO of 30 days
- Actively hedge Euro and Yen
  - Balance sheet hedging
  - Economic hedging

*As of February 29, 2008

Adobe Summary



- Market trends fueling Adobe opportunities
- Diversified business serving multiple markets
- Investing for the future
- Multiple growth opportunities

Adobe Systems Investor Relations Data Sheet

Last Updated: March 18, 2008

	Description	Q1`06	Q2`06	Q3`06	Q4'06	FY2006	Q1`07	Q2`07	Q3`07	Q4`07	FY2007	Q1`08
Revenue ($Millions)	Total Revenue	655.5	635.4	602.2	682.2	2,575.3	649.4	745.6	851.7	911.2	3,157.9	890.4
Revenue by Segment ($Millions)	Creative Solutions	382.1	360.1	331.6	364.1	1,437.9	346.4	436.6	545.5	570.5	1,899.0	543.5
	Business Productivity Solutions	204.1	196.2	191.2	224.7	816.2	217.3	228.8	227.4	246.4	919.9	249.7
	Mobile and Device Solutions	8.6	7.6	9.2	12.1	37.5	13.7	12.3	13.0	13.5	52.5	15.2
	Other	60.7	71.5	70.2	81.3	283.7	72.0	67.9	65.8	80.8	286.5	82.0
Revenue by Segment (as % of total revenue)	Creative Solutions	58%	57%	55%	53%	56%	53%	59%	64%	63%	60%	61%
	Business Productivity Solutions	31%	31%	32%	33%	32%	33%	31%	27%	27%	29%	28%
	Mobile and Device Solutions	1%	1%	2%	2%	1%	2%	2%	2%	1%	2%	2%
	Other	10%	11%	11%	12%	11%	12%	8%	7%	9%	9%	9%
Supplementary Business Unit Data	Knowledge Worker Revenue ($Millions)	166.3	160.1	150.5	180.9	657.8	174.8	184.8	176.8	192.1	728.5	195.5
	Enterprise Revenue ($Millions)	37.8	36.1	40.7	43.8	158.4	42.5	44.0	50.6	54.3	191.4	54.2
	Platform Revenue ($Millions)	13.7	18.1	17.8	18.5	68.1	15.8	18.9	18.7	27.5	80.9	28.1
	Print Publishing Revenue ($Millions)	47.0	53.4	52.4	62.8	215.6	56.2	49.0	47.1	53.3	205.6	53.9
	Number of Server Transactions > $50,000 *	113	97	82	104	396	110	101	104	154	469	123
	* Based on LiveCycle, Flex, ColdFusion, Acrobat Connect and Flash Media Server transactions greater than $50,000 (excludes maintenance, support, and professional services)											
Revenue by Geography ($Millions)	Americas	313.7	305.8	310.3	336.9	1,266.7	298.3	383.5	400.7	426.4	1,508.9	396.9
	EMEA	207.0	181.3	165.4	216.4	770.1	215.7	210.9	281.5	318.3	1,026.4	323.9
	Asia	134.8	148.3	126.5	128.9	538.5	135.4	151.2	169.5	166.5	622.6	169.6
Revenue by Geography (as % of total revenue)	Americas	48%	48%	52%	49%	49%	46%	51%	47%	47%	48%	45%
	EMEA	32%	29%	27%	32%	30%	33%	28%	33%	35%	33%	36%
	Asia	20%	23%	21%	19%	21%	21%	21%	20%	18%	19%	19%
Stock-Based Compensation Expenses ($Millions)	Direct Costs	3.1	2.4	0.8	1.9	8.2	1.2	1.5	1.5	1.2	5.4	0.8
	Research & Development	17.9	17.8	12.8	17.2	65.7	13.9	17.4	18.9	17.9	68.1	18.3
	Sales & Marketing	17.6	14.4	23.1	13.2	68.3	11.0	12.3	11.7	12.9	47.9	14.4
	General & Administrative	7.9	7.3	6.0	7.3	28.5	5.8	8.4	6.5	7.8	28.5	9.5
	Total	46.5	41.9	42.7	39.6	170.7	31.9	39.6	38.6	39.8	149.9	43.0
Other Data	Worldwide Employees	5,480	5,678	5,879	6,068		6,151	6,427	6,677	6,794		7,037
	Days Sales Outstanding - Trade Receivables	39	40	43	48		43	39	28	32		30
	Diluted Shares Outstanding	621.8	613.8	600.9	602.2	612.2	604.2	603.4	597.3	587.9	598.8	571.3

Adobe Systems Investor Relations Data Sheet

Income Statement - Reconciliation of Non-GAAP to GAAP
Last Updated: March 18, 2008

	Description	Q1`06	Q2`06	Q3`06	Q4`06	FY2006	Q1`07	Q2`07	Q3`07	Q4`07	FY2007	Q1`08
GAAP ($Millions, except EPS)	Revenue	655.5	635.4	602.2	682.2	2,575.3	649.4	745.6	851.7	911.2	3,157.9	890.4
	Cost of revenue	77.7	65.6	69.5	79.6	292.4	72.3	91.2	92.6	98.6	354.7	82.5
	Gross margin	577.8	569.8	532.7	602.6	2,282.9	577.1	654.4	759.1	812.6	2,803.2	807.9
	Operating expenses	447.8	421.9	422.7	439.2	1,731.6	430.8	474.0	504.0	536.8	1,945.6	532.5
	Operating profit	130.0	147.9	110.0	163.4	551.3	146.3	180.4	255.1	275.8	857.6	275.4
	Non-operating income	14.3	16.6	13.0	84.6	128.5	28.1	24.7	22.0	14.8	89.6	20.2
	Income before taxes	144.3	164.5	123.0	248.0	679.8	174.4	205.1	277.1	290.6	947.2	295.6
	Taxes	39.2	41.4	28.6	64.8	174.0	30.6	52.6	71.8	68.5	223.5	76.3
	Net income	105.1	123.1	94.4	183.2	505.8	143.8	152.5	205.3	222.1	723.7	219.3
	Earnings per share	$ 0.17	$ 0.20	$ 0.16	$ 0.30	$ 0.83	$ 0.24	$ 0.25	$ 0.34	$ 0.38	$ 1.21	$ 0.38
Adjustments to Reconcile to Non-GAAP ($Millions, except EPS)	Cost of revenue											
	Stock-based compensation	(3.1)	(2.4)	(0.8)	(1.9)	(8.2)	(1.2)	(1.5)	(1.5)	(1.2)	(5.4)	(0.8)
	Amortization of purchased intangibles and incomplete technology	(34.0)	(34.2)	(34.5)	(34.7)	(137.4)	(27.9)	(43.1)	(28.7)	(28.7)	(128.4)	(22.0)
	Total adjustments to cost of revenue	(37.1)	(36.6)	(35.3)	(36.6)	(145.6)	(29.1)	(44.6)	(30.2)	(29.9)	(133.8)	(22.8)
	Operating expenses											
	Stock-based compensation	(43.4)	(39.5)	(41.8)	(37.6)	(162.3)	(30.6)	(38.1)	(37.2)	(38.6)	(144.5)	(42.2)
	Restructuring and other charges	(19.0)	(1.2)	-	-	(20.2)	-	-	(0.6)	-	(0.6)	(1.4)
	Amortization of purchased intangibles and incomplete technology	(22.9)	(17.8)	(20.0)	(18.8)	(79.5)	(17.7)	(18.9)	(17.9)	(17.9)	(72.4)	(17.1)
	Total adjustments to operating expenses	(85.3)	(58.5)	(61.8)	(56.4)	(262.0)	(48.3)	(57.0)	(55.7)	(56.5)	(217.5)	(60.7)
	Non-operating income	1.3	(2.7)	5.1	(65.0)	(61.3)	(5.6)	(4.2)	0.7	1.9	(7.2)	(8.7)
	Taxes	31.3	26.2	25.2	12.4	95.1	32.1	26.8	22.4	20.9	102.2	21.2
Non-GAAP ($Millions, except EPS)	Revenue	655.5	635.4	602.2	682.2	2,575.3	649.4	745.6	851.7	911.2	3,157.9	890.4
	Cost of revenue	40.7	28.9	34.1	43.0	146.7	43.1	46.6	62.4	68.7	220.8	59.7
	Gross margin	614.8	606.5	568.1	639.2	2,428.6	606.3	699.0	789.3	842.5	2,937.1	830.7
	Operating expenses	362.4	363.4	360.8	382.8	1,469.4	382.4	417.0	448.4	480.3	1,728.1	471.8
	Operating profit	252.4	243.1	207.3	256.4	959.2	223.9	282.0	340.9	362.2	1,209.0	358.9
	Non-operating income	15.5	13.9	18.1	19.6	67.1	22.5	20.6	22.7	16.8	82.6	11.5
	Income before taxes	267.9	257.0	225.4	276.0	1,026.3	246.4	302.6	363.6	379.0	1,291.6	370.4
	Taxes	70.5	67.6	53.9	77.1	269.1	62.7	79.4	94.2	89.4	325.7	97.4
	Net income	197.4	189.4	171.5	198.9	757.2	183.7	223.2	269.4	289.6	965.9	273.0
	Earnings per share	$ 0.32	$ 0.31	$ 0.29	$ 0.33	$ 1.24	$ 0.30	$ 0.37	$ 0.45	$ 0.49	$ 1.61	$ 0.48
Shares	Diluted shares outstanding	621.8	613.8	600.9	602.2	612.2	604.2	603.4	597.3	587.9	598.8	571.3
Reconciliation of Diluted Net Income Per Share, Net of Tax ($)	GAAP net income per share	0.17	0.20	0.16	0.30	0.83	0.24	0.25	0.34	0.38	1.21	0.38
	Stock-based compensation	0.06	0.05	0.05	0.04	0.20	0.04	0.05	0.05	0.05	0.19	0.06
	Restructuring and other charges	0.02	-	-	-	0.02	-	-	-	-	0.00	-
	Amortization of purchased intangibles and incomplete technology	0.07	0.06	0.07	0.05	0.25	0.05	0.08	0.06	0.06	0.25	0.05
	R&D tax benefit	-	-	-	-	-	(0.02)	-	-	-	(0.02)	0.00
	Non-operating income	-	-	0.01	(0.06)	(0.06)	(0.01)	(0.01)	-	-	(0.02)	(0.01)
	Non-GAAP net income per share	0.32	0.31	0.29	0.33	1.24	0.30	0.37	0.45	0.49	1.61	0.48
Reconciliation of GAAP to Non-GAAP Operating Margin	GAAP operating margin	19.8%	23.3%	18.3%	24.0%	21.4%	22.5%	24.2%	30.0%	30.3%	27.2%	30.9%
	Stock-based compensation	7.1%	6.6%	7.1%	5.8%	6.6%	4.9%	5.3%	4.5%	4.4%	4.7%	4.8%
	Restructuring and other charges	2.9%	0.2%	0.0%	0.0%	0.8%	0.0%	0.0%	0.1%	0.0%	0.0%	0.2%
	Amortization of purchased intangibles and incomplete technology	8.7%	8.2%	9.0%	7.8%	8.4%	7.1%	8.3%	5.4%	5.0%	6.4%	4.4%
	Non-GAAP operating margin	38.5%	38.3%	34.4%	37.6%	37.2%	34.5%	37.8%	40.0%	39.7%	38.3%	40.3%

The above results are supplied to provide meaningful supplemental information regarding Adobe's core operating results because such information excludes amounts that are not necessarily related to its core operating results. Adobe uses this non-GAAP financial information in assessing the performance of the Company's ongoing operations, and for planning and forecasting in future periods. This non-GAAP information should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

FY2008 Business Segment Classifications

Last Updated: March 18, 2008

	Products	
Creative Solutions	After Effects	Photoshop
	Audition	Photoshop Album
	Creative Suite Design Premium/Standard	Photoshop Elements
	Creative Suite Master Collection	Photoshop Extended
	Creative Suite Production Premium	Photoshop Lightroom
	Creative Suite Web Premium/Standard	Premiere Elements
	Dreamweaver	Premiere Express
	Encore	Premiere Pro
	Fireworks	Production Studio
	Flash	Scene7
	Flash Media Interactive Server	Soundbooth
	Flash Video Streaming Server	Ultra
	GoLive	Visual Communicator
	Illustrator	Vlog It!
	InDesign	
Business Productivity Solutions	**Knowledge Worker**	
	Acrobat	Acrobat Hosted Services
	Acrobat 3D	Create PDF Online
	Acrobat Connect	
	Enterprise	
	LiveCycle Barcoded Forms ES	LiveCycle PDF Generator ES
	LiveCycle Data Services ES	LiveCycle Process Management ES
	LiveCycle Digital Signatures ES	LiveCycle Production Print ES
	LiveCycle Forms ES	LiveCycle Reader Extensions ES
	LiveCycle Output ES	LiveCycle Rights Management ES
	Acrobat Capture	Acrobat Elements Server
	Acrobat Distiller Server	PDF Library
Mobile and Device Solutions	Flash Cast	Flash Lite
	Flash Home	Flash Player SDK
Other	**Platform**	
	Adobe Integrated Runtime (AIR)	FlexBuilder
	ColdFusion	Reader & Flash Player
	Print & Publishing	
	Authorware	PageMaker
	Captivate	PDF Print Engine
	Contribute	PostScript
	Director	Robohelp
	FrameMaker	Shockwave
	Freehand	Technical Communication Suite
	Jrun	Type

Adobe provides this information as of the modification date above and makes no commitment to update the information subsequently. For a full explanation of this data, you are encouraged to review Adobe's Form 10-K and 10-Q SEC filings.

Adobe Systems Investor Relations Data Sheet

Historical Desktop Product Release Roadmap
Last Updated: March 18, 2008

Product	Q1`06	Q2`06	Q3`06	Q4`06	Q1`07	Q2`07	Q3`07	Q4`07	Q1`08
Acrobat				8.0					
Acrobat 3D	7.0					8.0			
After Effects	7.0						CS3		
Audition	2.0							3.0	
Authorware									
Captivate				2.0			3.0		
Connect (formerly Breeze)				6.0					
Contribute				4.0		CS3			
Creative Suite				2.3		CS3			
Director									11.0
Dreamweaver						CS3			
Encore	2.0						CS3		
Fireworks						CS3			
Flash						CS3			
FrameMaker							8.0		
FreeHand									
GoLive									
Illustrator						CS3			
InDesign						CS3			
Lightroom					1.0				
Photoshop						CS3			
Photoshop Extended						CS3			
Photoshop Elements				5.0				6.0	
Premiere Elements				3.0				4.0	
Premiere Pro	2.0						CS3		
RoboHelp								7.0	
Soundbooth							CS3		
Visual Communicator									

Adobe provides this information as of the modification date above and makes no commitment to update the information subsequently.   This desktop product release information corresponds to initial English version launch dates in the United States.

Adobe Systems Historical Investor Relations Data Sheet (Pre-Adobe/Macromedia integration)

Last Updated: December 15, 2005

	Description	FY2000	Q1'01	Q2'01	Q3'01	Q4'01	FY2001	Q1'02	Q2'02	Q3'02	Q4'02	FY2002	Q1'03	Q2'03	Q3'03	Q4'03	FY2003	Q1`04	Q2'04	Q3'04	Q4'04	FY2004	Q1`05	Q2'05	Q3'05	Q4`05	FY2005
Total ($Millions)	Revenue	1,266.4	329.0	344.1	292.1	264.5	1,229.7	267.9	317.4	284.9	294.7	1,164.8	296.9	320.1	319.1	358.6	1,294.7	423.3	410.1	403.7	429.5	1,666.6	472.9	496.0	487.0	510.4	1,966.3
Revenue By Segment ($Millions)	Digital Imaging & Video	476.7	128.6	122.6	104.2	84.3	439.7	83.8	130.6	96.0	101.6	411.9	96.2	95.3	88.3	112.6	392.4	113.5	100.3	98.4	118.0	430.2	106.6	115.9	95.6	114.7	432.8
	Creative Professional	450.6	111.6	102.8	87.7	91.1	393.3	87.6	90.1	86.6	86.9	351.3	85.8	93.7	82.0	107.0	368.5	158.1	153.4	150.4	151.2	613.1	160.7	184.4	206.3	192.4	743.8
	Intelligent Documents	207.6	61.7	90.0	74.3	65.9	291.9	74.0	75.6	78.6	84.4	312.5	90.9	108.1	127.0	118.1	444.1	130.3	136.1	135.5	139.9	541.8	184.9	176.2	165.8	181.1	708.0
	OEM PostScript & Other	131.5	27.0	28.7	25.9	23.2	104.8	22.5	21.1	23.7	21.8	89.0	24.0	23.0	21.8	20.9	89.7	21.4	20.3	19.4	20.4	81.5	20.7	19.5	19.3	22.2	81.7
Revenue By Segment (as % of total revenue)	Digital Imaging & Video	38%	39%	36%	36%	32%	36%	31%	41%	34%	34%	35%	32%	30%	27%	31%	30%	27%	25%	24%	27%	26%	23%	23%	20%	22%	22%
	Creative Professional	36%	34%	30%	30%	34%	32%	33%	28%	30%	30%	30%	29%	29%	26%	30%	29%	37%	37%	37%	35%	37%	34%	37%	42%	38%	38%
	Intelligent Documents	16%	19%	26%	25%	25%	24%	28%	24%	28%	29%	27%	31%	34%	40%	33%	34%	31%	33%	34%	33%	32%	39%	36%	34%	36%	36%
	OEM PostScript & Other	10%	8%	8%	9%	9%	8%	8%	7%	8%	7%	8%	8%	7%	7%	6%	7%	5%	5%	5%	5%	5%	4%	4%	4%	4%	4%
Revenue By Geography ($Millions)	Americas	659.1	151.1	158.9	154.8	126.8	591.5	124.1	158.0	156.2	145.5	583.8	146.5	157.4	156.8	179.5	640.2	183.5	182.5	195.9	208.7	770.6	218.0	242.4	228.3	251.0	939.7
	EMEA	323.0	98.1	78.5	71.6	78.3	326.5	74.9	82.2	68.4	92.1	317.6	89.3	86.6	84.3	110.0	370.2	144.1	134.3	123.5	139.6	541.5	150.5	145.1	153.0	164.1	612.7
	Asia	284.3	79.8	106.7	65.7	59.5	311.7	68.8	77.1	60.3	57.1	263.4	61.1	76.1	78.0	69.1	284.3	95.7	93.3	84.3	81.2	354.5	104.4	108.5	105.7	95.3	413.9
Revenue By Geography (as % of total revenue)	Americas	52%	46%	46%	53%	48%	48%	46%	50%	55%	49%	50%	49%	49%	49%	50%	49%	43%	44%	48%	49%	46%	46%	49%	47%	49%	48%
	EMEA	26%	30%	23%	25%	30%	27%	28%	26%	24%	31%	27%	30%	27%	26%	31%	29%	34%	33%	31%	32%	33%	32%	29%	31%	32%	31%
	Asia	22%	24%	31%	22%	22%	25%	26%	24%	21%	20%	23%	21%	24%	25%	19%	22%	23%	23%	21%	19%	21%	22%	22%	22%	19%	21%
Intelligent Documents Data	Desktop Revenue ($Millions)	-	-	-	-	-	-	-	-	-	-	-	75.5	91.6	109.5	98.6	375.2	109.0	112.8	105.8	110.6	438.2	160.7	149.8	135.5	147.8	593.8
	Server Revenue ($Millions)	-	-	-	-	-	-	-	-	-	-	-	15.4	16.5	17.5	19.5	68.9	21.3	23.3	29.7	29.3	103.6	24.2	26.4	30.3	33.3	114.2
	Licensing as a % of Desktop Revenue	-	-	-	-	-	-	-	-	27.6%	30.6%	-	36.7%	31.8%	38.7%	40.4%	-	45.2%	43.1%	45.9%	47.2%	-	41.1%	47.2%	52.0%	57.2%	-
	Number of Server Transactions > $50,000 *	-	-	-	-	-	-	-	-	-	17	-	21	32	29	35	-	29	34	39	44	-	39	60	56	63	-
	Average Server Transaction Size *	-	-	-	-	-	-	-	-	-	145	-	100	113	120	114	-	205	236	184	219	-	150	119	191	162	-
Margin (as a % of total revenue)	Gross Profit Margin	93.1%	93.9%	93.5%	93.1%	92.8%	93.4%	92.2%	92.1%	88.9%	91.0%	91.0%	92.5%	92.7%	93.1%	93.0%	92.8%	94.3%	93.4%	94.2%	93.2%	93.7%	94.3%	94.5%	94.4%	94.0%	94.3%
Operating Expenses (as % of total revenue)	Research & Development	19.0%	16.9%	17.3%	18.6%	20.7%	18.2%	22.1%	19.8%	21.0%	21.8%	21.1%	22.2%	21.6%	21.6%	20.4%	21.4%	17.7%	18.5%	19.8%	18.6%	18.7%	18.3%	18.0%	19.4%	18.5%	18.6%
	Sales & Marketing	31.7%	31.6%	31.8%	32.7%	35.8%	32.8%	33.3%	32.7%	32.9%	31.7%	32.7%	33.0%	33.0%	33.3%	31.7%	32.7%	30.1%	31.8%	30.5%	32.7%	31.3%	31.2%	31.2%	29.5%	28.8%	30.2%
	General & Administrative	9.2%	9.2%	9.0%	8.9%	10.6%	9.4%	9.6%	9.2%	9.4%	9.1%	9.3%	10.1%	9.5%	9.5%	8.8%	9.5%	7.9%	8.4%	9.1%	7.8%	8.3%	8.7%	8.5%	7.7%	9.0%	8.5%
Headcount	Worldwide Employees	2,947	3,066	3,161	3,233	3,043	3,043	3,054	3,510	3,557	3,319	3,319	3,377	3,440	3,486	3,515	3,515	3,518	3,646	3,749	3,848	3,848	4,016	4,207	4,286	4,285	4,285
Platform Mix (as % of total revenue)	Windows	63%	66%	71%	71%	73%	70%	73%	69%	72%	73%	71%	74%	73%	77%	73%	74%	71%	72%	73%	75%	73%	76%	74%	73%	76%	75%
	Macintosh	37%	34%	29%	29%	27%	30%	27%	31%	28%	27%	29%	26%	27%	23%	27%	26%	29%	28%	27%	25%	27%	24%	26%	27%	24%	25%
Total (Millions)	Diluted Shares Outstanding*	511.5	507.2	500.2	497.2	486.8	498.3	490.5	495.4	486.8	476.8	486.2	470.6	478.5	481.0	491.0	482.9	492.2	493.9	494.2	500.6	495.6	506.2	508.2	507.8	508.6	508.1
DSO Ratio	Days Sales Outstanding (Trade Receivables)	36	41	39	46	42	42	48	38	46	36	36	41	36	31	37	37	28	23	25	30	30	27	32	29	31	31

* Based on server transactions greater than $50,000 (excludes maintenance, support, and professional services); Average rounded to $Thousands

* Split adjusted

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Adobe Systems Historical Investor Relations Data Sheet (Pre-Adobe/Macromedia integration)

Historical Desktop Product Release Roadmap
Last Updated: December 15, 2005

Product	Q1'00	Q2'00	Q3'00	Q4'00	Q1'01	Q2'01	Q3'01	Q4'01	Q1'02	Q2'02	Q3'02	Q4'02	Q1'03	Q2'03	Q3'03	Q4'03	Q1`04	Q2`04	Q3`04	Q4`04	Q1`05	Q2`05	Q3`05	Q4`05
Acrobat						5.0								6.0							7.0			
After Effects						5.0			5.5						6.0			6.5						
Audition															1.0			1.5						
Creative Suite																1.0						2.0		
Encore DVD															1.0			1.5						
FrameMaker		6.0								7.0														
GoLive			5.0						6.0							CS						CS2		
Illustrator			9.0					10.0								CS						CS2		
InDesign		1.5							2.0							CS						CS2		
PageMaker							7.0																	
Photoshop				6.0						7.0						CS						CS2		
Photoshop Album													1.0			2.0								
Photoshop Elements						1.0					2.0									3.0				4.0
Premiere					6.0						6.5													
Premiere Elements																				1.0				2.0
Premiere Pro															1.0			1.5						

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FOR IMMEDIATE RELEASE

Adobe Reports Strong Q1 Revenue and Earnings

Company Achieves 37 Percent Year-Over-Year Revenue Growth

SAN JOSE, Calif. — March 18, 2008 — Adobe Systems Incorporated (Nasdaq:ADBE) today reported financial results for its first quarter ended Feb. 29, 2008.

In the first quarter of fiscal 2008, Adobe achieved revenue of $890.4 million, compared to $649.4 million reported for the first quarter of fiscal 2007 and $911.2 million reported in the fourth quarter of fiscal 2007. This represents 37 percent year-over-year revenue growth. Adobe's first quarter revenue target range was $855 to $885 million.

"Driving our strong performance in Q1 was continued demand for our Creative Suite 3 family of products, as well as another record quarter for our Acrobat product family," said Shantanu Narayen, president and chief executive officer of Adobe. "As the proliferation of digital content accelerates, customers worldwide are looking to Adobe for solutions that enable the creation of rich, engaging experiences across a variety of media and devices. This trend will continue to drive our diverse business, and we are reaffirming our fiscal year financial targets."

During the first quarter, Adobe repurchased 33.3 million shares of its outstanding common stock, at a cost of $1.25 billion.

First Quarter GAAP Results

Adobe's GAAP diluted earnings per share for the first quarter of fiscal 2008 were $0.38, based on 571.3 million weighted average shares. This compares with GAAP diluted earnings per share of $0.24 reported in the first quarter of fiscal 2007 based on 604.2 million weighted average shares, and GAAP diluted earnings per share of $0.38 reported in the fourth quarter of fiscal 2007 based on 587.9 million weighted average shares. Adobe's first quarter GAAP earnings per share target range was $0.34 to $0.36.

GAAP operating income was $275.4 million in the first quarter of fiscal 2008, compared to $146.3 million in the first quarter of fiscal 2007 and $275.8 million in the fourth quarter of fiscal 2007. As a percent of revenue, GAAP operating income in the first quarter of fiscal 2008 was 30.9 percent, compared to 22.5 percent in the first quarter of fiscal 2007 and 30.3 percent in the fourth quarter of fiscal 2007.

GAAP net income was $219.4 million for the first quarter of fiscal 2008, compared to $143.9 million reported in the first quarter of fiscal 2007, and $222.2 million in the fourth quarter of fiscal 2007.

First Quarter Non-GAAP Results

Non-GAAP diluted earnings per share for the first quarter of fiscal 2008 were $0.48. This compares with non-GAAP diluted earnings per share of $0.30 reported in the first quarter of fiscal 2007, and non-GAAP diluted earnings per share of $0.49 reported in the fourth quarter of fiscal 2007. Adobe's first quarter non-GAAP earnings per share target range was $0.44 to $0.46.

Adobe's non-GAAP operating income was $359.0 million in the first quarter of fiscal 2008, compared to $223.8 million in the first quarter of fiscal 2007 and $362.2 million in the fourth quarter of fiscal 2007. As a percent of revenue, non-GAAP operating income in the first quarter of fiscal 2008 was 40.3 percent, compared to 34.5 percent in the first quarter of fiscal 2007 and 39.7 percent in the fourth quarter of fiscal 2007.

Non-GAAP net income was $273.0 million for the first quarter of fiscal 2008, compared to $183.6 million in the first quarter of fiscal 2007, and $289.6 million in the fourth quarter of fiscal 2007.

A reconciliation between GAAP and non-GAAP results is provided at the end of this press release.

Adobe Provides Second Quarter Financial Targets and Reaffirms Fiscal Year 2008 Targets

For the second quarter of fiscal 2008, Adobe announced it is targeting revenue of $855 million to $885 million. The Company is targeting a GAAP operating margin of 29 to 30 percent in the second quarter. On a non-GAAP basis, the Company is targeting a second quarter operating margin of approximately 39 percent.

In addition, Adobe is targeting its share count to be between 546 million and 550 million shares in the second quarter of fiscal 2008. The Company also is targeting GAAP non-operating income to be $14 million to $16 million, and non-GAAP non-operating income to be $5 million to $7 million. Adobe's GAAP and non-GAAP tax rate is expected to be approximately 27 percent.

These targets lead to a second quarter earnings per share target range of $0.35 to $0.37 on a GAAP basis, and a earnings per share target range of $0.45 to $0.47 on a non-GAAP basis.

For fiscal year 2008, Adobe reaffirmed it is targeting annual revenue growth of approximately 13 percent. The Company also reaffirmed it is targeting an annual GAAP operating margin of approximately 30 percent, and a non-GAAP operating margin of approximately 39 percent.

In addition, Adobe provided fiscal year 2008 earnings targets. On a GAAP basis, the Company is targeting earnings per share of $1.45 to $1.51. On a non-GAAP basis, the Company is targeting earnings per share of $1.86 to $1.92.

A reconciliation between these GAAP and non-GAAP financial targets is provided at the end of this press release.

Forward-Looking Statements Disclosure

This press release contains forward-looking statements, including those related to revenue, operating margin, other income, tax rate, share count, earnings per share, and business momentum 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 and business models by existing and new competitors, failure to successfully manage transitions to new business models and markets, failure to anticipate and develop new products and services in response to changes in demand for application software and software delivery, computers, printers, or other non PC-devices, 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, costs related to intellectual property acquisitions, 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, risks associated with international operations, fluctuations in foreign currency exchange rates, changes in, or interpretations of, accounting principles, impairment of Adobe's goodwill or intangible assets, unanticipated changes in, or interpretations of, tax rules and regulations, Adobe's inability to attract and retain key personnel, market risks associated with Adobe's equity investments, and interruptions or terminations in Adobe's relationships with turnkey assemblers. For further discussion of these and other risks and uncertainties, individuals should refer to Adobe's SEC filings.

The financial information set forth in this press release reflects estimates based on information available at this time. These amounts could differ from actual reported amounts stated in Adobe's Quarterly Report on Form 10-Q for the first quarter ended Feb. 29, 2008, which the Company expects to file in April 2008. Adobe does not undertake an obligation to update forward-looking statements.

About Adobe Systems Incorporated

Adobe revolutionizes how the world engages with ideas and information – anytime, anywhere and through any medium. For more information, visit www.adobe.com.

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Condensed Consolidated Statements of Income

(In thousands, except per share data; unaudited)

	Three Months Ended	
	February 29, 2008	March 2, 2007
Revenue:		
Products	$ 851,962	$ 620,298
Services and support	38,483	29,109
Total revenue	890,445	649,407
Total cost of revenue:		
Products	59,805	53,815
Services and support	22,670	18,448
Total cost of revenue	82,475	72,263
Gross profit	807,970	577,144
Operating expenses:		
Research and development	168,485	137,129
Sales and marketing	262,595	214,678
General and administrative	82,929	61,275
Restructuring and other charges	1,431	—
Amortization of purchased intangibles	17,099	17,725
Total operating expenses	532,539	430,807
Operating income	275,431	146,337
Non-operating income:		
Interest and other income, net	13,290	22,515
Interest expense	(1,809)	(51)
Investment gain	8,732	5,601
Total non-operating income	20,213	28,065
Income before income taxes	295,644	174,402
Provision for income taxes	76,265	30,551
Net income	$ 219,379	$ 143,851
Basic net income per share	$ 0.39	$ 0.24
Shares used in computing basic net income per share	561,113	587,969
Diluted net income per share	$ 0.38	$ 0.24
Shares used in computing diluted net income per share	571,259	604,249

Condensed Consolidated Balance Sheets

(In thousands, except per share data; unaudited)

	February 29, 2008	November 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,032,733	$ 946,422
Short-term investments	682,511	1,047,432
Trade receivables, net of allowances for doubtful accounts of $4,271 and $4,398, respectively	293,266	318,145
Other receivables	38,839	44,666
Deferred income taxes	132,892	171,472
Prepaid expenses and other assets	46,031	44,840
Total current assets	2,226,272	2,572,977
Property and equipment, net	297,522	289,758
Goodwill	2,144,368	2,148,102
Purchased and other intangibles, net	357,221	402,619
Investment in lease receivable	207,239	207,239
Other assets	108,279	92,984
	$ 5,340,901	$ 5,713,679
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade and other payables	$ 62,019	$ 66,867
Accrued expenses	368,978	383,436
Accrued restructuring	5,956	3,731
Income taxes payable	40,931	215,058
Deferred revenue	191,662	183,318
Total current liabilities	669,546	852,410
Long-term liabilities:		
Deferred revenue	22,956	25,950
Deferred income taxes	146,344	148,943
Income taxes payable	197,741	—
Debt	450,000	—
Accrued restructuring	12,069	13,987
Other liabilities	28,095	22,407
Total liabilities	1,526,751	1,063,697
Stockholders' equity:		
Preferred stock, $0.0001 par value; 2,000 shares authorized	—	—
Common stock, $0.0001 par value	61	61
Additional paid-in-capital	2,317,582	2,340,969
Retained earnings	4,260,970	4,041,592
Accumulated other comprehensive income	26,215	27,948
Treasury stock, at cost (59,963 and 29,425 shares, respectively), net of reissuances	(2,790,678)	(1,760,588)
Total stockholders' equity	3,814,150	4,649,982
	$ 5,340,901	$ 5,713,679

Condensed Consolidated Statements of Cash Flows

(In thousands; unaudited)

	Three Months Ended	
	February 29, 2008	March 2, 2007
Cash flows from operating activities:		
Net income	$ 219,379	$ 143,851
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	69,202	68,498
Stock-based compensation expense, net of tax	43,034	46,285
Net investment (gains)	(9,493)	(5,835)
Changes in deferred revenue	5,350	7,585
Changes in operating assets and liabilities	71,828	10,736
Net cash provided by operating activities	399,300	271,120
Cash flows from investing activities:		
Sales and maturities of short-term investments, net of purchases	362,592	(249,540)
Purchases of property and equipment	(26,268)	(48,300)
Purchases of long term investments and other assets, net of sales	(8,038)	(9,517)
Cash paid for acquisitions	485	(3,094)
Net cash provided by (used for) investing activities	328,771	(310,451)
Cash flows from financing activities:		
Purchases of treasury stock	(1,150,022)	(301,468)
Reissuances of treasury stock	53,510	94,033
Proceeds from borrowings under credit facility	450,000	—
Excess tax benefits from stock-based compensation	—	1,556
Net cash used for financing activities	(646,512)	(205,879)
Effect of exchange rate changes on cash and cash equivalents	4,752	(1,260)
Net increase (decrease) in cash and cash equivalents	86,311	(246,470)
Cash and cash equivalents at beginning of period	946,422	772,500
Cash and cash equivalents at end of period	$ 1,032,733	$ 526,030

Non-GAAP Results

(In thousands, except per share data)

The following table shows the Company's non-GAAP results reconciled to GAAP results included in this release for the quarters ended February 29, 2008, March 2, 2007 and November 30, 2007.

	Three Months Ended		
	February 29, 2008	March 2, 2007	November 30, 2007
GAAP operating income	$ 275,431	$ 146,337	$ 275,832
Stock-based compensation	43,034	31,852	39,791
Restructuring and other charges	1,431	—	—
Amortization of purchased intangibles	39,071	45,644	46,570
Non-GAAP operating income	$ 358,967	$ 223,833	$ 362,193
GAAP net income	$ 219,379	$ 143,851	$ 222,208
Stock-based compensation, net of tax	30,859	23,089	30,401
Restructuring and other charges, net of tax	1,026	—	—
Amortization of purchased intangibles	28,018	32,606	35,524
R&D tax benefit, net of tax	—	(12,330)	—
Investment (gain) loss, net of tax	(6,262)	(3,592)	1,478
Non-GAAP net income	$ 273,020	$ 183,624	$ 289,611
Diluted net income per share:			
GAAP net income	$ 0.38	$ 0.24	$ 0.38
Stock-based compensation, net of tax	0.06	0.04	0.05
Restructuring and other charges, net of tax	—	—	—
Amortization of purchased intangibles	0.05	0.05	0.06
R&D tax benefit, net of tax	—	(0.02)	—
Investment gain, net of tax	(0.01)	(0.01)	—
Non-GAAP net income	$ 0.48	$ 0.30	$ 0.49
Shares used computing diluted net income per share	571,259	604,249	587,865

The following tables show the Company's reconciliation of non-GAAP to GAAP operating expense and operating margin for the quarters ended February 29, 2008, March 2, 2007 and November 30, 2007.

	Three Months Ended		
	February 29, 2008	March 2, 2007	November 30, 2007
GAAP operating expenses	$ 532,539	$ 430,807	$ 536,783
Stock-based compensation	(42,190)	(30,648)	(38,577)
Restructuring and other charges	(1,431)	—	—
Amortization of purchased intangibles	(17,099)	(17,725)	(17,893)
Non-GAAP operating expenses	$ 471,819	$ 382,434	$ 480,313

	Three Months Ended		
	February 29, 2008	March 2, 2007	November 30, 2007
GAAP operating margin	30.9%	22.5%	30.3%
Stock-based compensation	4.8	4.9	4.4
Restructuring and other charges	0.2	—	—
Amortization of purchased intangibles	4.4	7.1	5.0
Non-GAAP operating margin	40.3%	34.5%	39.7%

The following table shows the Company's reconciliation of non-GAAP to GAAP effective tax rate for the quarter ended February 29, 2008.

	February 29, 2008
GAAP effective income tax rate	25.8%
Stock-based compensation	0.3
Amortization of purchased intangibles	0.3
Investment gain	(0.1)
Non-GAAP effective income tax rate	26.3%

Second Quarter and Fiscal Year 2008 Non-GAAP Financial Targets

(In millions, except per share data)

The following tables show the Company's second quarter and fiscal year 2008 non-GAAP financial targets reconciled to GAAP financial targets included in this release.

	Second Quarter Fiscal 2008		
	Low	High	Fiscal 2008
GAAP operating margin	29.0%	30.0%	30.0%
Stock-based compensation	5.3	4.7	4.7
Amortization of purchased intangibles	4.7	4.3	4.3
Non-GAAP operating margin	39.0%	39.0%	39.0%

	Second Quarter Fiscal 2008	
	Low	High
Non-operating income:		
GAAP non-operating income	$ 14.0	$ 16.0
Investment gain	(9.0)	(9.0)
Non-GAAP non-operating income	$ 5.0	$ 7.0

	Second Quarter Fiscal 2008		Fiscal 2008	
	Low	High	Low	High
Diluted net income per share:				
GAAP net income per share	$ 0.35	$ 0.37	$ 1.45	$ 1.51
Stock-based compensation, net of tax	0.06	0.06	0.22	0.22
Amortization of purchased intangibles	0.05	0.05	0.20	0.20
Investment gain, net of tax	(0.01)	(0.01)	(0.01)	(0.01)
Non-GAAP net income per share	$ 0.45	$ 0.47	$ 1.86	$ 1.92
Shares used in computing diluted net income per share	550.0	546.0	555.0	551.0

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 the stock-based compensation impact of SFAS 123R, restructuring and other charges, amortization of purchased intangibles and incomplete technology, investment gains and losses and the related tax impact of these items, the net tax impact of the R&D tax benefit, 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.

FINANCIAL DISCLAIMER

Factors that may affect future results of operations

Our actual results could differ materially from our forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed below. These and many other factors described in this report could adversely affect our operations, performance and financial condition.

Delays in development or shipment of new products or upgrades to existing products could cause a decline in our revenue.

Any delays or failures in developing new products or new features for existing products or marketing our products may have a harmful impact on our results of operations. Our inability to extend our core technologies into new applications and new platforms and to anticipate or respond to technological changes could affect continued market acceptance of our products and our ability to develop new products. Delays in product or upgrade introductions could cause a decline in our revenue, earnings or stock price. We cannot determine the ultimate effect these delays or the introduction of new products or upgrades will have on our revenue or results of operations.

Introduction of new products and business models by existing and new competitors could harm our competitive position and results of operations.

The markets for our products are characterized by intense competition, evolving industry standards and business models, rapid software and hardware technology developments and frequent new product introductions. Our future success will depend on our ability to enhance our existing products, introduce new products on a timely and cost effective basis, meet changing customer needs, extend our core technology into new applications, and anticipate and respond to emerging standards, business models and other technological changes. For example, Microsoft's Windows Vista operating system which contains a new fixed document format, XPS, which competes with Adobe PDF, and its introduction of Office 2007 which offers a feature to save Microsoft Office documents as PDF files through a freely distributed plug-in, which competes with Adobe PDF creation. Microsoft also has an Expression line of products targeted at designers and recently introduced Silverlight, a web development tool for RIAs, which competes with Adobe Flash and Adobe Flex. In addition, companies, such as Google, may introduce competing software offerings for free to support advertising models, or “open source” vendors may introduce competitive products. If these competing products achieve widespread acceptance, our operating results could suffer. In addition, consolidation has occurred among some of the competitors in our markets. Any further consolidations among our competitors may result in stronger competitors and may therefore harm our results of operations. For additional information regarding our competition and the risks arising out of the competitive environment in which we operate, see the section entitled “Competition” in our most recently filed Form 10-K for the fiscal year ended November 27, 2007.

If we fail to successfully manage transitions to new business models and markets, our results of operations could be negatively impacted.

We are devoting significant resources to the development of technologies and service offerings where we have a limited operating history, including the enterprise and government markets, the mobile and device markets and software as a service offerings. In the enterprise and government markets, we intend to increase our focus on vertical markets such as education, financial services, manufacturing, and the architecture, engineering and construction markets and horizontal markets such as training and marketing. These new offerings and markets require a considerable investment of technical, financial and sales resources, and a scalable organization. Many of our competitors may have advantages over us due to their larger presence, larger developer network, deeper experience in the enterprise and government markets and the mobile and device markets, and greater sales and marketing resources. In the mobile and device markets, our intent is to license our technology to device makers, manufacturers and telecommunications carriers that embed our technology on their platforms, and in the enterprise and government market our intent is to form strategic alliances with leading enterprise and government solutions and service providers to provide additional resources to further enable penetration of such markets. If we are unable to successfully enter into strategic alliances with device makers, manufacturers, telecommunication carriers and leading enterprise and government solutions and service providers, or if they are not as productive as we anticipate, our market penetration may not proceed as rapidly as we anticipate and our results of operations could be negatively impacted. Another development is the software as a service business model, by which companies provide applications, data and related services over the Internet. Providers use primarily advertising or subscription-based revenue models. Recent advances in computing and communications technologies have made this model viable and could enable the rapid growth of some of our competitors. We are exploring the deployment of our own software as a service strategies, but may not be able to develop the infrastructure and business models as quickly as our competitors. It is uncertain whether these strategies will prove successful. Additionally, from time to time we “open source” certain of our technology initiatives and release selected technology for industry standardization. These changes may make it easier for our competitors to produce products similar to ours, and if we are unable to respond to these competitive threats, our business could be harmed.

Adverse changes in general economic or political conditions in any of the major countries in which we do business could adversely affect our operating results.

As our business has grown, we have become increasingly subject to the risks arising from adverse changes in domestic and global economic and political conditions. For example, the direction and relative strength of the U.S. economy has recently been increasingly uncertain due to softness in the housing markets, rising oil prices, difficulties in the financial services sector and continuing geopolitical uncertainties. If economic growth in the United States and other countries' economies is slowed, many customers may delay or reduce technology purchases. This could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition. Any of these events would likely harm our business, results of operations and financial condition.

Political instability in any of the major countries we do business would also likely harm our business, results of operations and financial condition.

Revenue from our new businesses may be difficult to predict.

As previously discussed, we are devoting significant resources to the development of product and service offerings where we have a limited operating history. This makes it difficult to predict revenue and revenue may decline quicker than anticipated. Additionally, we have a limited history of licensing products in certain markets such as the enterprise market and may experience a number of factors that will make our revenue less predictable, including longer than expected sales and implementation cycles, potential deferral of revenue due to multiple-element revenue arrangements and alternate licensing arrangements.

If we fail to anticipate and develop new products in response to changes in demand for application software, computers, printers, or other non PC-devices our business could be harmed.

Any failure to anticipate changing customer requirements and develop and deploy new products in response to changing market conditions may have a material impact on our results of operations. We plan to release numerous new product offerings in connection with our transition to new business models.

Market acceptance of these new product releases will be dependent on our ability to include functionality and usability in such releases that address the requirements of customer demographics with which we have limited prior experience. To the extent we incorrectly estimate customer requirements for such products or if there is a delay in market acceptance of such products, our business could be harmed. Additionally, customer requirements for "open standards" or "open source" products could impact adoption or use with respect to some of our products.

We offer our Creative Solutions and Knowledge Worker Solutions application-based products primarily on Windows and Macintosh platforms. We generally offer our server-based products, but not desktop application products, on the Linux platform as well as the Windows and UNIX platforms. To the extent that there is a slowdown of customer purchases of personal computers on either the Windows or Macintosh platform or in general, or to the extent that significant demand arises for our products or competitive products on the Linux desktop platform before we choose and are able to offer our products on this platform, our business could be harmed. Additionally, to the extent that we have difficulty transitioning product or version releases to new Windows and Macintosh operating systems, or to the extent new releases of operating systems or other third party products make it more difficult for our products to perform, our business could be harmed.

We may incur substantial costs enforcing or acquiring intellectual property rights and defending against third-party claims as a result of litigation or other proceedings.

In connection with the enforcement of our own intellectual property rights, the acquisition of third-party intellectual property rights or disputes relating to the validity or alleged infringement of third-party intellectual property rights, including patent rights, we have been, are currently and may in the future be subject to claims, negotiations or complex, protracted litigation. Intellectual property disputes and litigation are typically very costly and can be disruptive to our business operations by diverting the attention and energies of management and key technical personnel. Although we have successfully defended or resolved past litigation and disputes, we may not prevail in any ongoing or future litigation and disputes. In addition, we may incur significant costs in acquiring the necessary third party intellectual property rights for use in our products. Third party intellectual property disputes could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from manufacturing or licensing certain of our products, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments with our customers including contractual provisions under various license arrangements. Any of these could seriously harm our business.

We may not be able to protect our intellectual property rights, including our source code, from third-party infringers, or unauthorized copying, use, disclosure or malicious attack.

Although we defend our intellectual property rights and combat unlicensed copying and use of software and intellectual property rights through a variety of techniques, preventing unauthorized use or infringement of our rights is inherently difficult. We actively pursue software pirates as part of our enforcement of our intellectual property rights, but we nonetheless lose significant revenue due to illegal use of our software. If piracy activities increase, it may further harm our business.

Additionally, we take significant measures to protect the secrecy of our confidential information and trade secrets, including our source code. If unauthorized disclosure of our source code occurs, we could potentially lose future trade secret protection for that source code. The loss of future trade secret protection could make it easier for third parties to compete with our products by copying functionality, which could adversely affect our revenue and operating margins. We also seek to protect our confidential information and trade secrets through the use of non-disclosure agreements with our customers, contractors, vendors, and partners. However there is a risk that our confidential information and trade secrets may be disclosed or published without our authorization, and in these situations it may be difficult and or costly for us to enforce our rights.

We also devote significant resources to maintaining the security of our products from malicious hackers who develop and deploy viruses, worms, and other malicious software programs that attack our products. Nevertheless, actual or perceived security vulnerabilities in our products could harm our reputation and lead some customers to seek to return products, to reduce or delay future purchases, to use competitive products or to make claims against us. Also, with the introduction of hosted services with some of our product offerings, our customers may use such services to share confidential and sensitive information. If a breach of security occurs on these hosted systems, we could be held liable to our customers. Additionally, such breaches could lead to interruptions, delays and data loss and protection concerns as well as harm to our reputation.

We may not realize the anticipated benefits of past or future acquisitions, and integration of these acquisitions may disrupt our business and management.

We have in the past and may in the future acquire additional companies, products or technologies. We may not realize the anticipated benefits of an acquisition and each acquisition has numerous risks. These risks include:

- difficulty in assimilating the operations and personnel of the acquired company;
- difficulty in effectively integrating the acquired technologies or products with our current products and technologies;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- disruption of our ongoing business and distraction of our management and employees from other opportunities and challenges due to integration issues;
- difficulty integrating the acquired company's accounting, management information, human resources and other administrative systems;
- inability to retain key technical and managerial personnel of the acquired business;
- inability to retain key customers, distributors, vendors and other business partners of the acquired business;
- inability to achieve the financial and strategic goals for the acquired and combined businesses;
- incurring acquisition-related costs or amortization costs for acquired intangible assets that could impact our operating results;
- potential impairment of our relationships with employees, customers, partners, distributors or third-party providers of technology or products;
- potential failure of the due diligence processes to identify significant issues with product quality, architecture and development, or legal and financial contingencies, among other things;
- incurring significant exit charges if products acquired in business combinations are unsuccessful;
- potential inability to assert that internal controls over financial reporting are effective;
- potential inability to obtain, or obtain in a timely manner, approvals from governmental authorities, which could delay or prevent such acquisitions; and
- potential delay in customer and distributor purchasing decisions due to uncertainty about the direction of our product offerings.

Mergers and acquisitions of high technology companies are inherently risky, and ultimately, if we do not complete the integration of acquired businesses successfully and in a timely manner, we may not realize the anticipated benefits of the acquisitions to the extent anticipated, which could adversely affect our business, financial condition or results of operations.

We rely on distributors to sell our products and any adverse change in our relationship with our distributors could result in a loss of revenue and harm our business.

We distribute our application products primarily through distributors, resellers, retailers and increasingly systems integrators, ISVs and VARs (collectively referred to as “distributors”). A significant amount of our revenue for application products is from two distributors, Ingram Micro, Inc. and Tech Data Corporation which represented 21% and 10% of our net revenue for fiscal 2007, respectively. In addition, our channel program focuses our efforts on larger distributors, which has resulted in our dependence on a relatively small number of distributors licensing a large amount of our products. Our distributors also sell our competitors' products, and if they favor our competitors' products for any reason, they may fail to market our products as effectively or to devote resources necessary to provide effective sales, which would cause our results to suffer. In addition, the financial health of these distributors and our continuing relationships with them are important to our success. Some of these distributors may be unable to withstand adverse changes in business conditions. Our business could be seriously harmed if the financial condition of some of these distributors substantially weakens.

Catastrophic events may disrupt our business.

We are a highly automated business and rely on our network infrastructure and enterprise applications, internal technology systems and our Website for our development, marketing, operational, support, hosted services and sales activities. A disruption or failure of these systems in the event of a major earthquake, fire, telecommunications failure, cyber-attack, terrorist attack, or other catastrophic event could cause system interruptions, delays in our product development and loss of critical data and could prevent us from fulfilling our customers' orders. Our corporate headquarters, a significant portion of our research and development activities, our data centers, and certain other critical business operations are located in San Jose, California, which is near major earthquake faults. We have developed certain disaster recovery plans and certain backup systems to reduce the potentially adverse effect of such events, but a catastrophic event that results in the destruction or disruption of any of our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be adversely affected.

Our future operating results are difficult to predict and are likely to fluctuate substantially from quarter to quarter and as a result the market price of our common stock may be volatile and our stock price could decline.

As a result of a variety of factors discussed herein, our quarterly revenue and operating results for a particular period are difficult to predict. Our revenue may grow at a slower rate than experienced in previous periods and, in particular periods, may decline. Additionally, we periodically provide operating model targets. These targets reflect a number of assumptions, including assumptions about product pricing and demand, economic and seasonal trends, competitive factors, manufacturing costs and volumes, the mix of shrink-wrap and licensing revenue, full and upgrade products, distribution channels and geographic markets. If one or more of these assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated or projected.

Due to the factors noted above, our future earnings and stock price may be subject to volatility, particularly on a quarterly basis. Shortfalls in revenue or earnings or delays in the release of products or upgrades compared to analysts' or investors' expectations have caused and could cause in the future an immediate and significant decline in the trading price of our common stock. Additionally, we may not learn of such shortfalls or delays until late in or after the end of the fiscal quarter, which could result in an even more immediate and greater decline in the trading price of our common stock. Finally, we participate in a highly dynamic industry. In addition to factors specific to us, changes in analysts' earnings estimates for us or our industry, and factors affecting the corporate environment, our industry, or the securities markets in general, have resulted, and may in the future result, in volatility of our common stock price.

We are subject to risks associated with international operations which may harm our business.

We generate over 50% of our total revenue from sales to customers outside of the Americas. Sales to these customers subject us to a number of risks, including:

- foreign currency fluctuations;
- changes in government preferences for software procurement;
- international economic and political conditions;
- unexpected changes in, or impositions of, international legislative or regulatory requirements;
- failure of foreign laws to protect our intellectual property rights adequately;
- inadequate local infrastructure;
- delays resulting from difficulty in obtaining export licenses for certain technology, tariffs, quotas and other trade barriers and restrictions;
- transportation delays;
- the burdens of complying with a variety of foreign laws, including more stringent consumer and data protection laws;
- and other factors beyond our control, including terrorism, war, natural disasters and diseases.

If sales to any of our customers outside of the Americas are delayed or cancelled because of any of the above factors, our revenue may be negatively impacted.

In addition, approximately 41% of our employees are located outside the United States. This means we have exposure to changes in foreign laws governing our relationships with our employees, including wage and hour laws and regulations, fair labor standards, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll and other taxes, which likely would have a direct impact on our operating costs. We also intend to expand our international operations and international sales and marketing activities. Expansion in international markets has required and will continue to require significant management attention and resources. Moreover, local laws and customs in many countries differ significantly from those in the United States. We incur additional legal compliance costs associated with our international operations and could become subject to legal penalties in foreign countries if we do not comply with local laws and regulations, which may be substantially different from those in the United States. In many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by United States regulations applicable to us such as the Foreign Corrupt Practices Act. Although we implement policies and procedures designed to ensure compliance with these laws, there can be no assurance that all of our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, including those based in or from countries where practices which violate such United States laws may be customary, will not take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have an adverse effect on our business.

We may incur losses associated with currency fluctuations and may not be able to effectively hedge our exposure.

Our operating results are subject to fluctuations in foreign currency exchange rates. We attempt to mitigate a portion of these risks through foreign currency hedging, based on our judgment of the appropriate trade-offs among risk, opportunity and expense. We have established a hedging program to partially hedge our exposure to foreign currency exchange rate fluctuations primarily for the Japanese Yen and the Euro. We regularly review our hedging program and will make adjustments as necessary based on the judgment factors discussed above. Our hedging activities may not offset more than a portion of the adverse financial impact resulting from unfavorable movement in foreign currency exchange rates, which could adversely affect our financial condition or results of operations.

Changes in, or interpretations of, accounting principles could result in unfavorable accounting charges.

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. A change in these principles can have a significant effect on our reported results and may even retroactively affect previously reported transactions. Our accounting principles that recently have been or may be affected by changes in the accounting principles are as follows:

- software revenue recognition;
- accounting for stock-based compensation;
- accounting for income taxes; and
- accounting for business combinations and related goodwill.

In particular, in the first quarter of fiscal 2006, we adopted Statements of Financial Accounting Standards ("SFAS") No. 123 (revised 2004) ("SFAS 123R"), "Share-Based Payment" which requires the measurement of all stock-based compensation to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in our consolidated statements of income. The adoption of SFAS 123R had a significant adverse effect on our reported financial results. It will continue to significantly adversely affect our reported financial results and may impact the way in which we conduct our business.

If our goodwill or amortizable intangible assets become impaired we may be required to record a significant charge to earnings.

Under accounting principles generally accepted in the United States of America, we review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include a decline in stock price and market capitalization, future cash flows, and slower growth rates in our industry. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, resulting in an impact on our results of operations. In particular, our Mobile and Device Solutions segment, which primarily consists of assets acquired in the Macromedia acquisition, is in an emerging market with high growth potential. Revenue is based on the introduction of new products and future royalties. If future revenue or revenue forecasts for this segment do not meet our expectations, we will be required to record a charge to earnings reflecting an impairment of this recorded goodwill or intangible assets.

Changes in, or interpretations of, tax rules and regulations may adversely affect our effective tax rates.

Unanticipated changes in our tax rates could affect our future results of operations. Our future effective tax rates could be unfavorably affected by changes in tax laws or the interpretation of tax laws, by unanticipated decreases in the amount of revenue or earnings in countries with low statutory tax rates, or by changes in the valuation of our deferred tax assets and liabilities. In addition, we are subject to the continual examination of our income tax returns by the Internal Revenue Service and other domestic and foreign tax authorities, including a current examination by the Internal Revenue Service for our fiscal 2001, 2002 and 2003 tax returns, primarily related to our intercompany transfer pricing. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result from the current examination.

We believe such estimates to be reasonable; however, there can be no assurance that the final determination of any of these examinations will not have an adverse effect on our operating results and financial position.

If we are unable to recruit and retain key personnel our business may be harmed.

Much of our future success depends on the continued service and availability of our senior management, including our Chief Executive Officer and other members of our executive team. These individuals have acquired specialized knowledge and skills with respect to Adobe. The loss of any of these individuals could harm our business. Our business is also dependent on our ability to retain, hire and motivate talented, highly skilled personnel. Experienced personnel in the information technology industry are in high demand and competition for their talents is intense, especially in the Bay Area, where many of our employees are located. We have relied on our ability to grant equity compensation as one mechanism for recruiting and retaining such highly skilled personnel. Recently enacted accounting regulations requiring the expensing of equity compensation may impair our ability to provide these incentives without incurring significant compensation costs. If we are unable to continue to successfully attract and retain key personnel, our business may be harmed.

We may suffer losses from our equity investments which could harm our business.

We have investments and plan to continue to make future investments in privately-held companies, many of which are considered in the start-up or development stages. These investments are inherently risky, as the market for the technologies or products these companies have under development is typically in the early stages and may never materialize. Our investment activities can impact our net income. Future price fluctuations in these securities and any significant long-term declines in value of any of our investments could reduce our net income in future periods.

We rely on turnkey assemblers and any adverse change in our relationship with our turnkey assemblers could result in a loss of revenue and harm our business.

We currently rely on six turnkey assemblers of our products, with at least two turnkeys located in each major region we serve. If any significant turnkey assembler terminates its relationship with us, or if our supply from any significant turnkey assembler is interrupted or terminated for any other reason, we may not have enough time or be able to replace the supply of products replicated by that turnkey assembler to avoid serious harm to our business.