

Page 7 of 8
Adobe Systems Reports Record Revenue and Profit

Non-GAAP Results

(In thousands, except per share data)

The following table shows the Company's non-GAAP results reconciled to the Generally Accepted Accounting Principles ("GAAP") results included in this release. The Company's non-GAAP results do not, as applicable, include restructuring and other charges or investment gains and losses.

	<u>March 5, 2004</u>	<u>February 28, 2003</u>	<u>November 28, 2003</u>
GAAP operating income	\$ 163,262	\$ 80,508	\$ 115,263
Restructuring and other charges	—	—	(105)
Non-GAAP operating income	<u>\$ 163,262</u>	<u>\$ 80,508</u>	<u>\$ 115,158</u>
GAAP net income	\$ 123,035	\$ 54,225	\$ 83,349
Restructuring and other charges, net of tax	—	—	(74)
Investment (gain)loss, net of tax	763	4,685	(265)
Non-GAAP net income	<u>\$ 123,798</u>	<u>\$ 58,910</u>	<u>\$ 83,010</u>
Diluted net income per share:			
GAAP net income	\$ 0.50	\$ 0.23	\$ 0.34
Restructuring and other charges, net of tax	—	—	—
Investment (gain)loss, net of tax	—	0.02	—
Non-GAAP net income	<u>\$ 0.50</u>	<u>\$ 0.25</u>	<u>\$ 0.34</u>
Shares used computing diluted net income per share	<u>246,087</u>	<u>235,294</u>	<u>245,512</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 both GAAP information that includes the expenses, charges and investment gains and losses discussed below and the non-GAAP measures that exclude such expenses, charges and investment gains and losses in order to assess the performance of Adobe's business and for planning and forecasting in subsequent periods.

Adobe's non-GAAP operating income excludes, as applicable, restructuring and other charges. Non-GAAP net income and non-GAAP diluted earnings per share exclude, as applicable, restructuring and other charges and investment gains and losses. Management believes that the inclusion of these non-GAAP financial measures provide consistency and comparability with past reports of financial results and has historically provided comparability to similar companies in Adobe's industry, many of which present the same or similar non-GAAP financial measures to investors. Whenever Adobe uses such a non-GAAP financial measure, it provides a reconciliation of the non-GAAP

Page 8 of 8
Adobe Systems Reports Record Revenue and Profit

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.

Adobe excludes restructuring and other charges, including (i) employee severance and other termination benefits, (ii) lease termination costs and other expenses associated with exiting facilities, and (iii) other costs associated with terminating contracts, from its non-GAAP financial measure of operating income and net income. Adobe's management does not consider these restructuring costs as a normal component of its expenses related to ongoing operations as such charges have occurred only periodically and have not been directly linked to the level of Adobe's business activities in the quarter in which such charges occur. As a result, Adobe's management believes it is useful for itself and investors to review both GAAP information that includes such charges and non-GAAP measures of operating income and net income that exclude these charges to have a better understanding of the overall performance of Adobe's ongoing business operations and its performance in the periods presented.

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.