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**FOR IMMEDIATE RELEASE**

## **Adobe Reports First Quarter Financial Results**

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SAN JOSE, Calif. — March 17, 2009 — Adobe Systems Incorporated (Nasdaq:ADBE) today reported financial results for its first quarter ended Feb. 27, 2009.

In the first quarter of fiscal 2009, Adobe achieved revenue of \$786.4 million, compared to \$890.4 million reported for the first quarter of fiscal 2008 and \$915.3 million reported in the fourth quarter of fiscal 2008.

“In this tough economic environment, we are pleased we were able to manage expenses to deliver solid Q1 earnings and margin results,” said Shantanu Narayen, president and CEO. “We believe the major market trends driving our business remain intact, and we will continue to focus on innovation and investing in new growth businesses to increase the strategic value we provide our customers.”

### **First Quarter Fiscal 2009 GAAP Results**

Adobe’s GAAP diluted earnings per share for the first quarter of fiscal 2009 were \$0.30, based on 527.8 million weighted average shares. This compares with GAAP diluted earnings per share of \$0.38 reported in the first quarter of fiscal 2008 based on 571.3 million weighted average shares, and GAAP diluted earnings per share of \$0.46 reported in the fourth quarter of fiscal 2008 based on 534.9 million weighted average shares.

GAAP operating income was \$207.9 million in the first quarter of fiscal 2009, compared to \$275.4 million in the first quarter of fiscal 2008 and \$273.2 million in the fourth quarter of fiscal 2008. As a percent of revenue, GAAP operating income in the first quarter of fiscal 2009 was 26.4 percent, compared to 30.9 percent in the first quarter of fiscal 2008 and 29.8 percent in the fourth quarter of fiscal 2008.

GAAP net income was \$156.4 million for the first quarter of fiscal 2009, compared to \$219.4 million reported in the first quarter of fiscal 2008 and \$245.9 million in the fourth quarter of fiscal 2008.

## **Adobe Reports First Quarter Financial Results**

### **First Quarter Fiscal 2009 Non-GAAP Results**

Non-GAAP diluted earnings per share for the first quarter of fiscal 2009 were \$0.45. This compares with non-GAAP diluted earnings per share of \$0.48 reported in the first quarter of fiscal 2008 and non-GAAP diluted earnings per share of \$0.60 reported in the fourth quarter of fiscal 2008.

Adobe's non-GAAP operating income was \$295.0 million in the first quarter of fiscal 2009, compared to \$359.0 million in the first quarter of fiscal 2008 and \$374.9 million in the fourth quarter of fiscal 2008. As a percent of revenue, non-GAAP operating income in the first quarter of fiscal 2009 was 37.5 percent, compared to 40.3 percent in the first quarter of fiscal 2008 and 41.0 percent in the fourth quarter of fiscal 2008.

Non-GAAP net income was \$236.8 million for the first quarter of fiscal 2009, compared to \$273.0 million in the first quarter of fiscal 2008 and \$320.9 million in the fourth quarter of fiscal 2008.

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

### **Second Quarter Fiscal 2009 Financial Targets**

For the second quarter of fiscal 2009, Adobe is targeting Q2 revenue of \$675 million to \$725 million, an operating margin of 21 percent to 26 percent on a GAAP basis, and an operating margin of 32 percent to 36 percent on a non-GAAP basis.

In addition, Adobe is targeting its share count to be between 528 million and 530 million. The Company also is targeting non-operating income to be between \$1 million and \$2 million. Adobe's GAAP and non-GAAP tax rates are expected to be approximately 24 percent.

These targets lead to a second quarter diluted earnings per share target range of \$0.20 to \$0.27 on a GAAP basis, and an earnings per share target range of \$0.31 to \$0.38 on a non-GAAP basis.

Reconciliation between 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 income, operating margin, non-operating income, tax rate, share count, earnings per share and long-term market trends, 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: adverse changes in general economic or political conditions in any of the major countries in which Adobe does business, failure to develop, market and distribute new products or upgrades to existing products that meet customer requirements, introduction of new products and business models by existing and new competitors, failure to successfully manage transitions to new business models and markets, difficulty in predicting revenue from new businesses, costs related to intellectual property acquisitions,

## **Adobe Reports First Quarter Financial Results**

disputes and litigation, inability to protect Adobe's intellectual property from third-party infringers, use, disclosure or malicious attack, failure to realize the anticipated benefits of past or future acquisitions and difficulty in integrating such acquisitions, failure to manage Adobe's sales and distribution channels effectively, 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, impairment of Adobe's investment portfolio due to deterioration of the capital markets, 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 our quarter ended Feb. 27, 2009, which the Company expects to file in April 2009. 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](http://www.adobe.com).

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**Page 4 of 9**  
**Adobe Reports First Quarter Financial Results**

**Condensed Consolidated Statements of Income**

(In thousands, except per share data; unaudited)

	<b>Three Months Ended</b>	
	<b>February 27, 2009</b>	<b>February 29, 2008</b>
Revenue:		
Products .....	\$ 742,199	\$ 851,962
Services and support.....	44,191	38,483
Total revenue .....	<u>786,390</u>	<u>890,445</u>
Cost of revenue:		
Products .....	58,918	59,805
Services and support.....	18,435	22,670
Total cost of revenue .....	<u>77,353</u>	<u>82,475</u>
Gross profit .....	709,037	807,970
Operating expenses:		
Research and development .....	149,917	168,485
Sales and marketing.....	249,491	262,595
General and administrative.....	74,051	82,929
Restructuring charges.....	12,270	1,431
Amortization of purchased intangibles .....	15,392	17,099
Total operating expenses.....	<u>501,121</u>	<u>532,539</u>
Operating income .....	207,916	275,431
Non-operating income (expense):		
Interest and other income, net.....	13,284	13,290
Interest expense .....	(792)	(1,809)
Investment (loss) gain, net.....	(17,246)	8,732
Total non-operating income (expense), net .....	<u>(4,754)</u>	<u>20,213</u>
Income before income taxes .....	203,162	295,644
Provision for income taxes .....	46,727	76,265
Net income .....	<u>\$ 156,435</u>	<u>\$ 219,379</u>
Basic net income per share .....	<u>\$ 0.30</u>	<u>\$ 0.39</u>
Shares used in computing basic net income per share .....	<u>524,268</u>	<u>561,113</u>
Diluted net income per share.....	<u>\$ 0.30</u>	<u>\$ 0.38</u>
Shares used in computing diluted net income per share.....	<u>527,830</u>	<u>571,259</u>

**Page 5 of 9**  
**Adobe Reports First Quarter Financial Results**

**Condensed Consolidated Balance Sheets**

(In thousands, except per share data; unaudited)

	February 27, 2009	November 28, 2008
ASSETS		
Current assets:		
Cash and cash equivalents .....	\$ 1,148,925	\$ 886,450
Short-term investments .....	1,234,769	1,132,752
Trade receivables, net of allowances for doubtful accounts of \$5,796 and \$4,128, respectively .....	300,048	467,234
Deferred income taxes .....	81,125	110,713
Prepaid expenses and other assets .....	104,124	137,954
Total current assets .....	2,868,991	2,735,103
Property and equipment, net .....	300,376	313,037
Goodwill .....	2,132,375	2,134,730
Purchased and other intangibles, net .....	181,468	214,960
Investment in lease receivable .....	207,239	207,239
Other assets .....	197,147	216,529
Total assets .....	\$ 5,887,596	\$ 5,821,598
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables .....	\$ 41,416	\$ 55,840
Accrued expenses .....	345,677	399,969
Accrued restructuring .....	18,352	35,690
Income taxes payable .....	33,107	27,136
Deferred revenue .....	198,313	243,964
Total current liabilities .....	636,865	762,599
Long-term liabilities:		
Deferred revenue .....	26,973	31,356
Debt .....	350,000	350,000
Income taxes payable .....	120,289	123,182
Deferred income taxes .....	114,603	117,328
Accrued restructuring .....	6,995	6,214
Other liabilities .....	20,711	20,565
Total liabilities .....	1,276,436	1,411,244
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 2,000 shares authorized ....	—	—
Common stock, \$0.0001 par value .....	61	61
Additional paid-in-capital .....	2,352,383	2,396,819
Retained earnings .....	5,069,840	4,913,406
Accumulated other comprehensive income .....	25,095	57,222
Treasury stock, at cost (76,739 and 74,723 shares, respectively), net of reissuances .....	(2,836,219)	(2,957,154)
Total stockholders' equity .....	4,611,160	4,410,354
Total liabilities and stockholders' equity .....	\$ 5,887,596	\$ 5,821,598

**Page 6 of 9**  
**Adobe Reports First Quarter Financial Results**

**Condensed Consolidated Statements of Cash Flows**

(In thousands; unaudited)

	Three Months Ended	
	February 27, 2009	February 29, 2008
Cash flows from operating activities:		
Net income .....	\$ 156,435	\$ 219,379
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion .....	68,740	69,202
Stock-based compensation expense, net of tax .....	48,245	43,034
Net investment losses (gains) .....	15,784	(9,493)
Changes in deferred revenue .....	(50,034)	5,350
Changes in operating assets and liabilities .....	126,573	71,828
Net cash provided by operating activities .....	<u>365,743</u>	<u>399,300</u>
Cash flows from investing activities:		
Purchases of short-term investments, net of sales and maturities .....	(107,839)	362,592
Purchases of property and equipment .....	(15,916)	(26,268)
Purchases of long term investments and other assets, net of sales .....	(7,807)	(7,553)
Net cash (used for) provided by investing activities .....	<u>(131,562)</u>	<u>328,771</u>
Cash flows from financing activities:		
Purchases of treasury stock .....	(13)	(1,150,022)
Reissuances of treasury stock .....	28,604	53,510
Proceeds from borrowings under credit facility .....	—	450,000
Excess tax benefits from stock-based compensation .....	84	—
Net cash provided by (used for) financing activities .....	<u>28,675</u>	<u>(646,512)</u>
Effect of exchange rate changes on cash and cash equivalents .....	(381)	4,752
Net increase in cash and cash equivalents .....	262,475	86,311
Cash and cash equivalents at beginning of period .....	886,450	946,422
Cash and cash equivalents at end of period .....	<u>\$ 1,148,925</u>	<u>\$ 1,032,733</u>

**Page 7 of 9**  
**Adobe Reports First Quarter Financial Results**

**First Quarter Fiscal Year 2009 Non-GAAP Results**

(In thousands, except per share data)

The following tables show Adobe's non-GAAP results reconciled to GAAP results included in this release.

	Three Months Ended		
	February 27, 2009	February 29, 2008	November 28, 2008
Operating income:			
GAAP operating income .....	\$ 207,916	\$ 275,431	\$ 273,193
Stock-based and deferred compensation expense .....	45,007	43,034	33,246
Restructuring charges .....	12,270	1,431	29,428
Amortization of purchased intangibles .....	29,782	39,071	38,996
Non-GAAP operating income .....	<u>\$ 294,975</u>	<u>\$ 358,967</u>	<u>\$ 374,863</u>
Net income:			
GAAP net income .....	\$ 156,435	\$ 219,379	\$ 245,917
Stock-based and deferred compensation expense .....	45,007	43,034	33,246
Restructuring charges .....	12,270	1,431	29,428
Amortization of purchased intangibles .....	29,782	39,071	38,996
Investment loss (gain) .....	17,246	(8,732)	3,926
Income tax adjustments .....	(23,990)	(21,163)	(30,607)
Non-GAAP net income .....	<u>\$ 236,750</u>	<u>\$ 273,020</u>	<u>\$ 320,906</u>
Diluted earnings per share:			
GAAP diluted earnings per share .....	\$ 0.30	\$ 0.38	\$ 0.46
Stock-based and deferred compensation expense .....	0.09	0.08	0.06
Restructuring charges .....	0.02	—	0.06
Amortization of purchased intangibles .....	0.06	0.07	0.07
Investment loss (gain) .....	0.03	(0.02)	0.01
Income tax adjustments .....	(0.05)	(0.03)	(0.06)
Non-GAAP diluted earnings per share .....	<u>\$ 0.45</u>	<u>\$ 0.48</u>	<u>\$ 0.60</u>
Shares used in computing diluted earnings per share .....	527,830	571,259	534,896

	Three Months Ended		
	February 27, 2009	February 29, 2008	November 28, 2008
Operating expenses:			
GAAP operating expenses .....	\$ 501,121	\$ 532,539	\$ 555,670
Stock-based and deferred compensation expense .....	(44,904)	(42,190)	(32,400)
Restructuring charges .....	(12,270)	(1,431)	(29,428)
Amortization of purchased intangibles .....	(15,392)	(17,099)	(17,024)
Non-GAAP operating expenses .....	<u>\$ 428,555</u>	<u>\$ 471,819</u>	<u>\$ 476,818</u>

**Page 8 of 9**  
**Adobe Reports First Quarter Financial Results**

	Three Months Ended		
	February 27, 2009	February 29, 2008	November 28, 2008
Operating margin:			
GAAP operating margin .....	26.4%	30.9%	29.8%
Stock-based and deferred compensation expense .....	5.7	4.8	3.6
Restructuring charges .....	1.6	0.2	3.2
Amortization of purchased intangibles .....	3.8	4.4	4.4
Non-GAAP operating margin .....	<u>37.5%</u>	<u>40.3%</u>	<u>41.0%</u>

**Second Quarter Fiscal Year 2009 Non-GAAP Financial Targets**

(In millions, except per share data)

The following tables show the Company's second quarter fiscal year 2009 non-GAAP financial targets reconciled to GAAP financial targets included in this release.

	Second Quarter Fiscal 2009	
	Low	High
Operating margin:		
GAAP operating margin .....	21.0%	26.0%
Stock-based and deferred compensation expense .....	6.3	5.5
Restructuring charges.....	0.5	0.5
Amortization of purchased intangibles.....	4.2	4.0
Non-GAAP operating margin .....	<u>32.0%</u>	<u>36.0%</u>

	Second Quarter Fiscal 2009	
	Low	High
Diluted earnings per share:		
GAAP diluted earnings per share .....	\$ 0.20	\$ 0.27
Stock-based and deferred compensation expense .....	0.08	0.08
Restructuring charges.....	0.01	0.01
Amortization of purchased intangibles .....	0.05	0.05
Income tax adjustments.....	(0.03)	(0.03)
Non-GAAP diluted earnings per share .....	<u>\$ 0.31</u>	<u>\$ 0.38</u>
Shares used in computing diluted earnings per share .....	<u>530.0</u>	<u>528.0</u>

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



**Page 9 of 9**  
**Adobe Reports First Quarter Financial Results**

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 and deferred compensation impact, restructuring charges, amortization of purchased intangibles, investment gains and losses, and the related tax impact of all 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.