



QUESTIONS AND ANSWERS FOR ADOBE STOCKHOLDERS

2:1 Stock Split and Dividend Discontinuation

Payable on May 23, 2005, for Stockholders of Record on May 2, 2005

This information is intended to answer questions you may have about our recently announced stock split and dividend discontinuation affects your investment in Adobe.

Why did Adobe split the stock?

A stock split makes the price of the Company's stock more attractive to investors. For some time now, the market has demonstrated confidence in Adobe's current and future performance with an increase in the price of the stock. By splitting the stock and reducing the price, Adobe is making it possible for more people to invest in Adobe.

What is the effective date of the split?

There are several key dates to be aware of:

- The record date, May 2, 2005, determines which stockholders are entitled to receive additional shares due to the split.
- The payable date (mailing date), May 23, 2005, is the date when holders of record or brokers are mailed notification of the shares subject to split.
- The ex-split date, May 24, 2005, is the date when Adobe common shares will trade on Nasdaq at the new split-adjusted price.

How does the split affect my investment in Adobe?

As a stockholder of record at the close of business on May 2, 2005, as a result of the stock split, you will receive additional Adobe Common Stock as of the payable date on May 23, 2005. For every one share you held prior to the split, you receive one additional share. For example, if on May 2 you owned 100 shares with a cost basis of \$40 per share, you will own 200 shares with a cost basis of \$20 per share on May 23.

How many times has Adobe split the stock?

This will be the sixth time Adobe has split its shares. The previous stock splits, beginning with the most recent, were:

- 2-for-1 split paid October 24, 2000
- 2-for-1 split paid October 26, 1999
- 2-for-1 split paid August 10, 1993
- 2-for-1 split paid November 22, 1988
- 2-for-1 split paid March 11, 1987

What happens if I sell my shares of Adobe stock after the record date and before the mailing/payable date?

From record date to payable date, two separate markets will likely exist for Adobe common stock under the Nasdaq stock market. The "regular way" market, reported under the Company's normal ADBE symbol, will continue to trade at the higher pre-split price. Since sellers in the "regular way" market will receive full value for the share they sell, they are not entitled to the split shares they will receive by virtue of being holders on the record date, so they transfer their rights to the split shares to their buyers by means of "due bills".

Nasdaq recognizes that stockholders might alternatively want to sell only the “new” split shares while retaining the “old” shares and this is accomplished by creating a “when-issued” market at the old post-split price. “When-issued” trading is reported under the Company’s normal Nasdaq symbol with a “V” appended at the end, that is ADBEV. “When issued” trading ceases on the mailing/payable date.

Will there be a “when issued” market for the split Adobe shares of stock?

It is expected that the Nasdaq Stock Market will authorize a “when issued” market for the new split shares under the ADBEV symbol. This will occur only between the May 2 record date and the May 23 mailing/payable dates. Trading in the “when issued” market will reflect the anticipated split value of Adobe shares. Settlement of “when issued” trades is expected to occur on May 26 2005, which is three business days after the mailing/payable date. Adobe has no involvement in “when-issued” trading. You should check with your broker if you are interested in when-issued trading.

How will I receive my additional shares of Adobe stock?

You will not receive a stock certificate. Instead, if you hold certificates now, the additional shares you receive as a result of the stock split are being distributed through the Direct Registration System (DRS). This means that you have full ownership of your shares without the responsibility of holding the actual certificates. A Direct Registration Transaction Advice (DRTA) will be mailed to you and is your confirmation; it indicates the number of additional shares you own as a result of the split. Keep it with your existing stock certificates and other important documents as a record of your ownership.

If you hold shares in a brokerage account, the additional share(s) will automatically be deposited to your brokerage account.

Where will my DRTA be mailed?

If you currently hold shares in your name, you will be notified at the address Computershare Investor Services, our stock transfer agent, has on file. To verify your address you can call Computershare Investor Services directly at (312) 360-5148.

Will the shares I receive from the Adobe stock split result in taxable income to me?

There will be no U.S. taxable income to U.S. resident stockholders as a result of this stock split. The tax basis of each share owned after the stock split will be half of what it was before the split. For example, if you owned 100 shares of Adobe stock before the split with a tax basis of \$40 per share, after the split you will have 200 shares of Adobe stock with a tax basis of \$20 per share. Please consult with your tax advisor regarding the impact this might have on your personal tax situation.

For Adobe stockholders outside the U.S., please consult with your local tax advisor on tax impacts as they could vary by jurisdiction.

What do I do with my existing Adobe stock certificate(s)?

Existing Adobe stock certificates are still valid. ***Do not destroy them.*** You may deposit your existing certificate(s) to a DRS account at Computershare Investor Services or in a brokerage account, or you may continue to physically hold them and be responsible for their safekeeping.

How do I request an Adobe stock certificate?

We believe DRS is the safest and most convenient way to hold your Adobe shares of stock. If, however, you prefer to receive a certificate for your additional stock split shares, you may request it by completing the Direct Registration Transaction Request Form that will be mailed to you, or by sending a letter to Computershare at the address listed on the form. You can expect to receive your certificates within two weeks of your request.

Why did Adobe's Board of Directors approve to terminate the quarterly dividend?

Adobe's dividend yield is just 0.08%. We believe the administrative effort and cost to Adobe and our stockholders to pay out a dividend on a post split basis no longer makes sense. We believe Adobe currently has significant growth opportunities to pursue and we prefer to use our cash more efficiently. To continue the Company's goal of returning value to stockholders, the Company intends to utilize the cash used to pay the quarterly dividend for its ongoing stock repurchase programs.

What is Adobe's current dividend policy?

Adobe currently pays a \$0.0125 per share quarterly dividend. On March 17, 2005, we announced we would cease paying dividends after the first quarter fiscal 2005 dividend, which will be paid in April 2005.

How does the stock split impact the dividend?

There is no impact since we will no longer be paying dividends after the first quarter fiscal 2005 dividend.

When will Adobe stop paying a dividend?

Adobe will discontinue its quarterly dividend after the April 2005 dividend payment. The last dividend payment will be on April 12, 2005 to stockholders of record as of March 29, 2005.

What if I have more questions?

For more information about DRS, or your Adobe stockholder account, please call Computershare Investor Services at (312) 360-5148.