

**FOR IMMEDIATE RELEASE**

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**Adaptec Reports Fourth Quarter and Fiscal 2008 Results**

*Company Continues to Improve Margins and Generate Cash*

**MILPITAS, CA, May 8, 2008 -- Adaptec, Inc. (NASDAQ: ADPT)**, a global leader in storage solutions, today reported its financial results for the fourth quarter and fiscal year ended March 31, 2008.

"I am pleased with Adaptec's execution on a number of fronts this quarter," said S. "Sundi" Sundaresh, president and CEO of Adaptec. "From a technology innovation perspective, we have made considerable strides in our DPS Business with the very successful global launch of our Series 5 Unified Serial RAID controller family. From an operational perspective, we continue to align expenses with our revenue while improving margins and generating cash."

Net revenues for the Company's fourth quarter of fiscal 2008 were \$39.9 million, compared with \$51.9 million for the fourth quarter of fiscal 2007. Gross margins were 42.5% for the fourth quarter of fiscal 2008, compared with 33.8% for the fourth quarter of fiscal 2007.

The Company's loss from continuing operations, net of taxes, computed on a generally accepted accounting principles (GAAP) basis, for the fourth quarter of fiscal 2008 was \$(0.1) million, or \$(0.00) per share, compared with a loss from continuing operations, net of taxes, of \$(4.2) million, or \$(0.04) per share, for the fourth quarter of fiscal 2007. GAAP net income for the fourth quarter of fiscal 2008 was \$0.5 million, or \$0.00 per share, compared with a net loss of \$(3.3) million, or \$(0.03) per share, for the fourth quarter of fiscal 2007.

Non-GAAP income from continuing operations, net of taxes, for the fourth quarter of fiscal 2008 was \$5.7 million, or \$0.04 per diluted share, compared with a non-GAAP loss from continuing operations, net of taxes, of \$(2.7) million, or \$(0.02) per share, for the fourth quarter of fiscal 2007.

Net revenues for the Company's fiscal year ended March 31, 2008 were \$167.4 million, compared with \$255.2 million for the fiscal year ended March 31, 2007.

The Company's loss from continuing operations, net of taxes, computed on a GAAP basis, for the fiscal year ended March 31, 2008 was \$(10.1) million, or \$(0.09) per share, compared with income from continuing operations of \$24.8 million, or \$0.20 per diluted share, for the fiscal year ended March 31, 2007.

GAAP net loss for the fiscal year ended March 31, 2008 was \$(9.6) million, or \$(0.08) per share, compared with net income of \$30.8 million, or \$0.25 per diluted share for the fiscal year ended March 31, 2007, which included \$61.3 million of discrete tax benefits primarily related to settlements with the IRS.

Non-GAAP income from continuing operations, net of taxes, for the fiscal year ended March 31, 2008 was \$2.1 million, or \$0.02 per diluted share, compared with non-GAAP loss from continuing operations of \$(5.9) million, or \$(0.05) per share, for the fiscal year ended March 31, 2007.

The non-GAAP results for all the periods presented, including, but not limited to, the fourth quarter of fiscal 2008 and the fiscal year ended March 31, 2008, as defined below in the section "Use of Non-GAAP Financial Measures," differ from results measured under GAAP as they exclude stock-based compensation expense, expense associated with a management incentive program, amortization of acquisition-related intangible assets, restructuring costs, other charges or gains, and tax differences due to GAAP versus non-GAAP measurements. A complete reconciliation between GAAP and non-GAAP information referred to in this release is provided in the attached tables at the end of this press release.

### **Conference Call**

The Adaptec fourth quarter fiscal 2008 earnings conference call is scheduled for 1:45 p.m. Pacific Time on May 8, 2008. Individuals may participate via webcast by visiting [www.adaptec.com/investor](http://www.adaptec.com/investor) 15 minutes prior to the call. A telephone replay of the teleconference will be available through May 22, 2008 by calling (888) 203-1112 in the U.S. or (719) 457-0820 internationally and referencing reservation number 7966641.

### **About Adaptec**

Adaptec, Inc. (NASDAQ: **ADPT**) provides trusted storage solutions that reliably move, manage, and protect critical data and digital content. Adaptec's software and hardware-based solutions are delivered through leading original equipment manufacturers (OEMs) and channel partners to provide storage connectivity, data protection, and networked storage to enterprises, government organizations, medium and small businesses worldwide. More information is available at [www.adaptec.com](http://www.adaptec.com).

## **Safe Harbor Statement**

This news release may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. Forward-looking statements are statements regarding future events or the future performance of Adaptec, and may be identified by words such as “expects,” “anticipates,” “will,” “intends,” “plans,” “projects,” “believes” and other words or phrases expressing the possibility or potential for events to occur in the future. These forward-looking statements are based on current expectations, forecasts and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. These risks include: if we do not meet our restructuring objectives, we may have to continue to implement additional plans in order to reduce our operating costs; achieving necessary support from the contract manufacturers to which we have outsourced manufacturing, assembly and packaging of our products; retaining key management; Adaptec's ability to launch new software products; difficulty in forecasting the volume and timing of customer orders; reduced demand in the server, network storage and desktop computer markets; our target markets' failure to accept, or delay in accepting, network storage and other advanced storage solutions, including our SAS, SATA and iSCSI lines of products; decline in consumer acceptance of our current products; the timing and volume of orders by OEM customers for storage products; our ability to control and manage costs associated with the delivery of new products; and the adverse effects of the intense competition we face in our business. For a more complete discussion of risks related to our business, reference is made to the section titled "Risk Factors" included in our Quarterly Report on Form 10-Q for the quarter ended December 31, 2007 on file with the Securities and Exchange Commission. Adaptec assumes no obligation to update any forward-looking information that is included in this release.

Adaptec is a registered trademark in the United States and other countries. Other product and company names are trademarks or registered trademarks of their respective owners.

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**Adaptec, Inc.**  
**GAAP Condensed Consolidated Statements of Operations**  
(unaudited)

	Three-Month Period Ended			Twelve-Month Period Ended	
	March 31, 2008	December 31, 2007	March 31, 2007	March 31, 2008	March 31, 2007
	(in thousands, except per share amounts)				
<b>Net revenues</b>	\$ 39,877	\$ 41,162	\$ 51,934	\$ 167,400	\$ 255,208
Cost of revenues	22,948	24,993	34,356	104,927	173,974
<b>Gross profit</b>	<b>16,929</b>	<b>16,169</b>	<b>17,578</b>	<b>62,473</b>	<b>81,234</b>
<b>Operating expenses:</b>					
Research and development	8,332	8,824	12,788	39,804	56,573
Selling, marketing and administrative	13,950	14,115	14,892	57,351	61,325
Amortization of acquisition- related intangible assets	720	720	1,470	2,893	5,996
Restructuring charges	613	706	--	6,273	3,711
Other charges (gains)	2,428	--	758	(3,371)	14,700
<b>Total operating expenses</b>	<b>26,043</b>	<b>24,365</b>	<b>29,908</b>	<b>102,950</b>	<b>142,305</b>
<b>Loss from continuing operations</b>	<b>(9,114)</b>	<b>(8,196)</b>	<b>(12,330)</b>	<b>(40,477)</b>	<b>(61,071)</b>
Interest and other income	7,979	8,838	7,290	31,335	25,618
Interest expense	(872)	(805)	(856)	(3,646)	(3,405)
Loss from continuing operations before income taxes	(2,007)	(163)	(5,896)	(12,788)	(38,858)
Benefit from income taxes	(1,928)	(1,271)	(1,732)	(2,694)	(63,704)
<b>Income (loss) from continuing operations, net of taxes</b>	<b>(79)</b>	<b>1,108</b>	<b>(4,164)</b>	<b>(10,094)</b>	<b>24,846</b>
<b>Discontinued operations:</b>					
Loss from discontinued operations, net of taxes	--	--	(678)	--	(546)
Income from disposal of discontinued operations, net of taxes	623	--	1,512	479	6,543
<b>Income from discontinued operations, net of taxes</b>	<b>623</b>	<b>--</b>	<b>834</b>	<b>479</b>	<b>5,997</b>
<b>Net income (loss)</b>	<b>\$ 544</b>	<b>\$ 1,108</b>	<b>\$ (3,330)</b>	<b>\$ (9,615)</b>	<b>\$ 30,843</b>
Income (loss) per common share:					
Basic					
Continuing operations	\$ (0.00)	\$ 0.01	\$ (0.04)	\$ (0.09)	\$ 0.21
Discontinued operations	\$ 0.01	\$ --	\$ 0.01	\$ 0.00	\$ 0.05
Net income (loss)	\$ 0.00	\$ 0.01	\$ (0.03)	\$ (0.08)	\$ 0.26
Diluted					
Continuing operations	\$ (0.00)	\$ 0.01	\$ (0.04)	\$ (0.09)	\$ 0.20
Discontinued operations	\$ 0.01	\$ --	\$ 0.01	\$ 0.00	\$ 0.04
Net income (loss)	\$ 0.00	\$ 0.01	\$ (0.03)	\$ (0.08)	\$ 0.25
Shares used in computing income (loss) per share:					
Basic	119,163	118,987	117,516	118,613	116,602
Diluted	119,163	119,622	117,516	118,613	136,690

To supplement its condensed consolidated financial statements in accordance with generally accepted accounting principles (GAAP), the Company's earnings release contains non-GAAP financial measures that exclude certain expenses, gains and losses. The Company believes that the use of non-GAAP financial measures provides useful information to investors to gain an overall understanding of its current financial performance and its prospects for the future. Specifically, the Company believes the non-GAAP results provide useful information to both management and investors by excluding certain expenses, gains and losses that the Company believes are not indicative of its core operating results. In addition, non-GAAP financial measures are used by management for budgeting and forecasting as well as subsequently measuring the Company's performance, and the Company believes that it is providing investors with financial measures that most closely align to its internal measurement processes. The Company also believes, based on feedback provided to the Company during its earnings calls, Q&A sessions and discussions with the investment community, that the non-GAAP financial measures it provides enhance the ability of the investment community to review the Company's results and projections.

The non-GAAP financial information is presented using consistent methodology from quarter-to-quarter and year-to-year. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. The non-GAAP financial measures presented by the Company may be different than the non-GAAP financial measures presented by other companies. In addition, these non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. The Company believes that non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP financial measures.

The Company excludes the following expenses, gains and losses from its non-GAAP financial measures, when applicable:

***Stock-based compensation expense:*** Stock-based compensation expense consists of expenses recorded under SFAS 123(R), "*Share-Based Payment*," in connection with stock awards such as stock options, restricted stock awards and restricted stock units granted under the Company's equity incentive plans and shares issued pursuant to the Company's employee stock purchase plan. The Company excludes stock-based compensation expense from non-GAAP financial measures because it is a non-cash measurement that does not reflect the Company's ongoing business; the Company believes that the provision of non-GAAP information that excludes stock-based compensation improves the ability of investors to compare its period-over-period operating results, as there is significant variability and unpredictability across companies with respect to this expense.

***Management incentive program:*** The Company excludes expenses associated with the management incentive program, which were limited cash payments made to selected members of management of an acquired company, as these payments were instituted as a component of the acquisition process and do not reflect the Company's ongoing business.

***Amortization of acquisition-related intangible assets:*** Amortization of acquisition-related intangible assets primarily relate to core and existing technologies, patents, a trade name and customer relationships that were acquired from prior acquisitions. The Company excludes the amortization of acquisition-related intangible assets because it does not reflect the Company's ongoing business and it does not have a direct correlation to the operation of the Company's business. In addition, in accordance with GAAP, the Company generally recognizes expenses for internally-developed intangible assets as they are incurred, notwithstanding the potential future benefit such assets may provide. Unlike internally-developed intangible assets, however, and also in accordance with GAAP, the Company generally capitalizes the cost of acquired intangible assets and recognizes that cost as an expense over the useful lives of the assets acquired (other than goodwill, which is not amortized, and acquired in-process technology, which is expensed immediately, as required under

GAAP). As a result of their GAAP treatment, there is an inherent lack of comparability between the financial performance of internally-developed intangible assets and acquired intangible assets. Accordingly, the Company believes it is useful to provide, as a supplement to its GAAP operating results, a non-GAAP financial measure that excludes the amortization of acquired intangible assets in order to enhance the period-over-period comparison of its operating results, as there is significant variability and unpredictability across companies with respect to this expense.

***Restructuring charges and other charges (gains):*** Restructuring charges primarily relate to activities engaged in by the Company's management to simplify its infrastructure. Other charges (gains) primarily relate to the impairment of acquisition-related intangible assets from prior acquisitions and gain on sale of long-lived assets. Restructuring charges and other charges (gains) are excluded from non-GAAP financial measures because they are not considered core operating activities and the occurrence of such costs is infrequent. Although the Company has engaged in various restructuring activities over the past several years, each has been a discrete, extraordinary event based on a unique set of business objectives. The Company does not engage in restructuring activities on a regular basis or in the ordinary course of business. As such, the Company believes it is appropriate to exclude restructuring charges from its non-GAAP financial measures, as it enhances the ability of investors to compare the Company's period-over-period operating results.

***Income taxes:*** Incremental income taxes associated with certain non-GAAP items.

**Adaptec, Inc.**  
**Reconciliation of GAAP to Non-GAAP Operating Results**  
(unaudited)

	Three-Month Period Ended			Twelve-Month Period Ended	
	March 31, 2008	December 31, 2007	March 31, 2007	March 31, 2008	March 31, 2007
	(in thousands)				
<b>GAAP income (loss) from continuing operations, net of taxes</b>	\$ (79)	\$ 1,108	\$ (4,164)	\$ (10,094)	\$ 24,846
Stock-based compensation expense	2,034	1,982	1,667	6,628	8,473
Management incentive program	--	--	--	--	799
Amortization of acquisition-related intangible assets	720	720	1,470	2,893	5,996
Restructuring charges	613	706	--	6,273	3,711
Other charges (gains)	2,428	--	758	(3,371)	14,700
Income taxes	23	52	(2,408)	(274)	(64,422)
<b>Non-GAAP income (loss) from continuing operations, net of taxes</b>	<u>\$ 5,739</u>	<u>\$ 4,568</u>	<u>\$ (2,677)</u>	<u>\$ 2,055</u>	<u>\$ (5,897)</u>
Shares used in computing income (loss) per share:					
<b>Basic - GAAP and Non-GAAP</b>	<b>119,163</b>	<b>118,987</b>	<b>117,516</b>	<b>118,613</b>	<b>116,602</b>
<b>Diluted - GAAP</b>	<b>119,163</b>	<b>119,622</b>	<b>117,516</b>	<b>118,613</b>	<b>136,690</b>
Employee options	724	--	--	696	(864)
3/4% convertible notes	19,224	--	--	--	(19,224)
<b>Diluted - Non-GAAP</b>	<u><b>139,111</b></u>	<u><b>119,622</b></u>	<u><b>117,516</b></u>	<u><b>119,309</b></u>	<u><b>116,602</b></u>

**Adaptec, Inc.**  
**Summary Balance Sheet and Cash Flow Data**  
(unaudited)

<b>Balance Sheet Data</b>	As of		
	March 31, 2008	December 31, 2007	March 31, 2007
	(in thousands)		
Cash, cash equivalents and marketable securities	\$ 626,206	\$ 597,756	\$ 572,423
Accounts receivable, net	23,204	29,250	34,127
Inventories	9,926	14,363	28,717
Other intangible assets, net	--	3,148	7,011
Other assets	37,986	51,024	73,124
<b>Total assets</b>	<b>\$ 697,322</b>	<b>\$ 695,541</b>	<b>\$ 715,402</b>
Current liabilities	\$ 32,669	\$ 44,259	\$ 65,235
Current portion of convertible notes	225,321	225,241	--
Convertible notes, less current portion and other long-term obligations	15,236	5,894	228,009
Stockholders' equity	424,096	420,147	422,158
<b>Total liabilities and stockholders' equity</b>	<b>\$ 697,322</b>	<b>\$ 695,541</b>	<b>\$ 715,402</b>
	<b>Three-Month Period Ended</b>		
<b>Cash Flow Data</b>	March 31, 2008	December 31, 2007	March 31, 2007
	(in thousands)		
Net income (loss)	\$ 544	\$ 1,108	\$ (3,330)
Less: Income (loss) from discontinued operations, net of taxes	623	--	834
Income (loss) from continuing operations, net of taxes	(79)	1,108	(4,164)
Adjustments to reconcile income (loss) from continuing operations, net of taxes, to net cash provided by (used in) operating activities:			
Non-cash P&L items:			
Non-cash charges associated with other charges	--	--	922
Non-cash effect of tax settlement	--	--	(1,389)
Stock-based compensation	2,034	1,982	1,667
Depreciation and amortization	1,824	1,533	4,070
Inventory-related charges	1,149	910	2,378
Impairment of long-lived assets	2,545	--	--
Other items	368	--	118
Changes in assets and liabilities	15,172	(7,105)	1,757
<b>Net cash provided by (used in) operating activities of continuing operations</b>	<b>23,013</b>	<b>(1,572)</b>	<b>5,359</b>
<b>Net cash provided by operating activities of discontinued operations</b>	<b>2,500</b>	<b>--</b>	<b>2,778</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 25,513</b>	<b>\$ (1,572)</b>	<b>\$ 8,137</b>
Other significant cash flow activities:			
Proceeds from issuance of common stock	36	572	1,862
Repurchase of 3% convertible notes	--	--	(10,637)