

**FOR IMMEDIATE RELEASE**

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**Adaptec Reports Third Quarter Fiscal 2009 Results**

MILPITAS, Calif. – January 28, 2009 – Adaptec, Inc. (NASDAQ: ADPT), a global leader in storage solutions, today reported its financial results for the third quarter of fiscal 2009, which ended on December 26, 2008.

“While these remain difficult economic times, Adaptec is focused on what will enable us to win in the long-term - innovating for future growth and carefully managing the business. In the past quarter, we successfully completed the Aristos integration, won two channel awards for leadership, and brought a new and leading product to market,” said S. "Sundi" Sundaresh, President and CEO of Adaptec. “We have a strong balance sheet that provides us flexibility as we continue to execute on the business imperatives that will allow us to succeed in the long-term.”

**Financial Overview**

Net revenues from continuing operations for the Company's third quarter of fiscal 2009 were \$28.2 million, compared with \$36.1 million for the third quarter of fiscal 2008. Gross margins, computed on a generally accepted accounting principles (GAAP) basis, from continuing operations were 40% for the third quarter of fiscal 2009, compared with 42% for the third quarter of fiscal 2008. Non-GAAP gross margins for the third quarter of fiscal 2009 were 44%, compared with 42% for the third quarter of fiscal 2008.

The Company's GAAP income from continuing operations, net of taxes, for the third quarter of fiscal 2009 was \$0.1 million, or \$0.00 per share, compared with income from continuing operations, net of

taxes, of \$2.9 million, or \$0.02 per share, for the third quarter of fiscal 2008. GAAP net loss for the third quarter of fiscal 2009 was (\$1.3) million, or (\$0.01) per share, compared with a net income of \$1.1 million, or \$0.01 per share, for the third quarter of fiscal 2008.

Non-GAAP income from continuing operations, net of taxes, for the third quarter of fiscal 2009 was \$0.1 million, or \$0.00 per share, compared with non-GAAP income from continuing operations, net of taxes, of \$6.1 million, or \$0.05 per share, for the third quarter of fiscal 2008. Non-GAAP net loss for the third quarter of fiscal 2009 was (\$0.1) million, or (\$0.00) per share, compared with non-GAAP net income of \$4.6 million, or \$0.04 per share, for the third quarter of fiscal 2008. The non-GAAP results for all periods presented differ from results measured under GAAP as they exclude stock-based compensation expense, expense associated with the management liquidation pool established in connection with the Aristos Logic Corporation transaction, amortization of acquisition-related intangible assets, restructuring costs, gain on extinguishment of debt, other specified charges or gains, tax differences due to GAAP versus non-GAAP measurements and certain items related to discontinued operations. 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 in the section "Use of Non-GAAP Financial Measures."

The Company initiated a new restructuring plan to reduce operating expenses during the third quarter of fiscal 2009, incurring a charge of \$0.9 million, related to headcount reductions. The Company expects annual operating expense savings of approximately \$2.9 million from this plan.

### **Conference Call**

The Adaptec third quarter fiscal 2009 earnings conference call is scheduled for 2:00 p.m. Pacific Time on January 28, 2009. 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 February 11, 2009 by calling (888) 203-1112 in the U.S. or (719) 457-0820 internationally and referencing reservation number 4280845.

### **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 includes 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 include statements regarding the future success of the business and the expense savings resulting from our restructuring. 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: general economic conditions; that 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 September 26, 2008 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)

	<u>Three-Month Period Ended</u>			<u>Nine-Month Period Ended</u>	
	<u>December 26, 2008</u>	<u>September 26, 2008</u>	<u>December 28, 2007</u>	<u>December 26, 2008</u>	<u>December 28, 2007</u>
	(in thousands, except per share amounts)				
<b>Net revenues</b>	<b>\$ 28,205</b>	<b>\$ 31,655</b>	<b>\$ 36,118</b>	<b>\$ 91,363</b>	<b>\$ 109,913</b>
Cost of revenues	17,062	18,326	21,058	52,209	69,819
<b>Gross profit</b>	<b>11,143</b>	<b>13,329</b>	<b>15,060</b>	<b>39,154</b>	<b>40,094</b>
<b>Operating expenses:</b>					
Research and development	7,781	4,863	7,291	18,547	27,142
Selling, marketing and administrative	9,388	8,753	12,328	27,638	38,750
Amortization of acquisition- related intangible assets	325	108	631	433	1,904
Restructuring charges	930	1,402	706	4,169	5,660
Other gains	--	--	--	--	(5,799)
<b>Total operating expenses</b>	<b>18,424</b>	<b>15,126</b>	<b>20,956</b>	<b>50,787</b>	<b>67,657</b>
<b>Loss from continuing operations</b>	<b>(7,281)</b>	<b>(1,797)</b>	<b>(5,896)</b>	<b>(11,633)</b>	<b>(27,563)</b>
Interest and other income, net	3,574	6,242	8,838	15,078	23,356
Interest expense	(142)	(476)	(805)	(1,459)	(2,774)
Income (loss) from continuing operations before income taxes	(3,849)	3,969	2,137	1,986	(6,981)
Provision for (benefit from) income taxes	(3,939)	657	(792)	(1,369)	(290)
<b>Income (loss) from continuing   operations, net of taxes</b>	<b>90</b>	<b>3,312</b>	<b>2,929</b>	<b>3,355</b>	<b>(6,691)</b>
<b>Discontinued operations:</b>					
Loss from discontinued operations, net of taxes	(207)	--	(1,821)	(941)	(3,324)
Income (loss) from disposal of discontinued operations, net of taxes	(1,189)	--	--	4,605	(144)
<b>Income (loss) from discontinued   operations, net of taxes</b>	<b>(1,396)</b>	<b>--</b>	<b>(1,821)</b>	<b>3,664</b>	<b>(3,468)</b>
<b>Net income (loss)</b>	<b>\$ (1,306)</b>	<b>\$ 3,312</b>	<b>\$ 1,108</b>	<b>\$ 7,019</b>	<b>\$ (10,159)</b>
Income (loss) per common share:					
Basic					
Continuing operations	\$ 0.00	\$ 0.03	\$ 0.02	\$ 0.03	\$ (0.06)
Discontinued operations	\$ (0.01)	\$ --	\$ (0.02)	\$ 0.03	\$ (0.03)
Net income (loss)	\$ (0.01)	\$ 0.03	\$ 0.01	\$ 0.06	\$ (0.09)
Diluted					
Continuing operations	\$ 0.00	\$ 0.02	\$ 0.02	\$ 0.02	\$ (0.06)
Discontinued operations	\$ (0.01)	\$ --	\$ (0.02)	\$ 0.03	\$ (0.03)
Net income (loss)	\$ (0.01)	\$ 0.02	\$ 0.01	\$ 0.05	\$ (0.09)
Shares used in computing income (loss) per share:					
Basic	120,231	119,682	118,987	119,702	118,430
Diluted	120,473	134,594	119,622	132,765	118,430

## Use of Non-GAAP Financial Measures

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 liquidation pool:** The management liquidation pool of \$5.6 million was included as part of the total consideration to acquire Aristos Logic Corporation. Under the merger agreement, the Company paid \$3.2 million upon closing the merger transaction. The remaining \$2.4 million is payable within twelve months from the acquisition date, to certain employees of the acquired company, contingent upon their continued employment with the Company. The Company excludes expenses associated with the management liquidation pool 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, customer relationships and backlog 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. 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. The amortization of acquisition-related intangible assets for core and existing technologies and backlog from the Company's acquisition of Aristos Logic Corporation is being reflected as cost of revenues, while the amortization of acquisition-related intangible assets for customer relationships is being reflected as part of operating expenses.

***Restructuring charges and other gains:*** Restructuring charges primarily relate to activities engaged in by the Company's management to simplify its infrastructure. Other gains primarily relate to a gain on sale of long-lived assets. Restructuring charges and other gains are excluded from non-GAAP financial measures because they are not considered to be part of core operating activities. Although the Company has engaged in various restructuring activities over the past several years, each has been a discrete, individual event based on a unique set of business objectives. The Company does not engage in restructuring activities 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. Other gains are also excluded from non-GAAP financial measures because the occurrence of such costs is infrequent.

***Gain on extinguishment of debt:*** The gain on extinguishment of debt relates to repurchases of the Company's 3/4% convertible notes in the open market. The gain on extinguishment of debt is excluded from non-GAAP financial measures because the occurrence of such costs is infrequent, which would affect the ability of investors to compare the Company's period-over-period operating results, and because the Company does not believe that this activity is reflective of gains and losses customarily incurred in the management of its cash resources.

***Income taxes:*** Income taxes relates to incremental income taxes associated with certain non-GAAP items and tax provisions and refunds from certain discrete tax events that occurred during the first nine months of fiscal 2009.

***Discontinued operations:*** Discontinued operations relates to the sale of the Snap Server NAS business. Certain items from discontinued operations are excluded from non-GAAP, which include the gain (loss) on disposal of discontinued operations and certain expenses discussed above related to stock-based compensation, amortization of acquisition-related related intangible assets and income taxes. The gain (loss) on disposal of discontinued operations is excluded from non-GAAP financial measures because the occurrence of such costs is infrequent, which would affect the ability of investors to compare the Company's period-over-period operating results, and because the Company does not believe that this activity is reflective of gains and losses customarily incurred in the management of its cash resources.

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

	Three-Month Period Ended			Nine-Month Period Ended	
	December 26, 2008	September 26, 2008	December 28, 2007	December 26, 2008	December 28, 2007
	(in thousands)				
<b>GAAP gross profit</b>	\$ 11,143	\$ 13,329	\$ 15,060	\$ 39,154	\$ 40,094
Stock-based compensation expense	83	118	108	304	280
Amortization of acquisition-related intangible assets	1,166	427	--	1,593	--
<b>Non-GAAP gross profit</b>	<u>\$ 12,392</u>	<u>\$ 13,874</u>	<u>\$ 15,168</u>	<u>\$ 41,051</u>	<u>\$ 40,374</u>
<b>GAAP income (loss) from continuing operations, net of taxes</b>	\$ 90	\$ 3,312	\$ 2,929	\$ 3,355	\$ (6,691)
Stock-based compensation expense	942	(219)	1,770	2,109	4,212
Management liquidation pool	1,002	332	--	1,334	--
Amortization of acquisition-related intangible assets	1,491	535	631	2,026	1,904
Restructuring charges	930	1,402	706	4,169	5,660
Other gains	--	--	--	--	(5,799)
Gain on extinguishment of debt	(360)	(1,283)	--	(1,643)	--
Income taxes	(3,985)	(31)	55	(2,399)	(297)
<b>Non-GAAP income (loss) from continuing operations, net of taxes</b>	<u>\$ 110</u>	<u>\$ 4,048</u>	<u>\$ 6,091</u>	<u>\$ 8,951</u>	<u>\$ (1,011)</u>
Adjustment for interest expense on 3/4% convertible notes, net of taxes	--	--	762	--	--
<b>Adjusted Non-GAAP income (loss) from continuing operations, net of taxes -used only to calculate diluted earnings per share</b>	<u>\$ 110</u>	<u>\$ 4,048</u>	<u>\$ 6,853</u>	<u>\$ 8,951</u>	<u>\$ (1,011)</u>
<b>GAAP net income (loss)</b>	\$ (1,306)	\$ 3,312	\$ 1,108	\$ 7,019	\$ (10,159)
Stock-based compensation expense	942	(219)	1,770	2,109	4,212
Management liquidation pool	1,002	332	--	1,334	--
Amortization of acquisition-related intangible assets	1,491	535	631	2,026	1,904
Restructuring charges	930	1,402	706	4,169	5,660
Other gains	--	--	--	--	(5,799)
Gain on extinguishment of debt	(360)	(1,283)	--	(1,643)	--
Income taxes	(3,985)	(31)	55	(2,399)	(297)
Loss (income) from discontinued operations, net of taxes	1,189	--	298	(4,374)	795
<b>Non-GAAP net income (loss)</b>	<u>\$ (97)</u>	<u>\$ 4,048</u>	<u>\$ 4,568</u>	<u>\$ 8,241</u>	<u>\$ (3,684)</u>
Adjustment for interest expense on 3/4% convertible notes, net of taxes	--	--	762	--	--
<b>Adjusted Non-GAAP net income (loss) -used only to calculate diluted earnings per share</b>	<u>\$ (97)</u>	<u>\$ 4,048</u>	<u>\$ 5,330</u>	<u>\$ 8,241</u>	<u>\$ (3,684)</u>
<b>Shares used in computing income (loss) per share:</b>					
Basic - GAAP and Non-GAAP	120,231	119,682	118,987	119,702	118,430
Diluted - GAAP	120,473	134,594	119,622	132,765	118,430
Employee options and awards	--	--	--	--	--
3/4% convertible notes	--	(14,152)	19,224	(12,374)	--
<b>Diluted - Non-GAAP</b>	<u>120,473</u>	<u>120,442</u>	<u>138,846</u>	<u>120,391</u>	<u>118,430</u>

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

<b>Balance Sheet Data</b>	As of		
	<u>December 26, 2008</u>	<u>March 31, 2008</u>	<u>December 28, 2007</u>
	(in thousands)		
Cash, cash equivalents and marketable securities	\$ 371,213	\$ 626,216	\$ 597,756
Accounts receivable, net	16,613	23,204	29,250
Inventories	7,007	9,926	14,363
Goodwill and other intangible assets, net	37,960	--	3,148
Other assets	43,593	40,741	51,024
<b>Total assets</b>	<b>\$ 476,386</b>	<b>\$ 700,087</b>	<b>\$ 695,541</b>
Current liabilities	\$ 30,424	\$ 31,439	\$ 44,259
Current portion of convertible notes	2,005	225,321	225,241
Other long-term obligations	15,101	19,231	5,894
Stockholders' equity	428,856	424,096	420,147
<b>Total liabilities and stockholders' equity</b>	<b>\$ 476,386</b>	<b>\$ 700,087</b>	<b>\$ 695,541</b>
	Three-Month Period Ended		
<b>Cash Flow Data</b>	<u>December 26, 2008</u>	<u>September 26, 2008</u>	<u>December 28, 2007</u>
	(in thousands)		
Net income (loss)	\$ (1,306)	\$ 3,312	\$ 1,108
Less: loss from discontinued operations, net of taxes	(1,396)	--	(1,821)
Income from continuing operations, net of taxes	90	3,312	2,929
Adjustments to reconcile income from continuing operations, net of taxes, to net cash provided by (used in) operating activities:			
Non-cash P&L items:			
Stock-based compensation expense	942	(219)	1,770
Inventory-related charges	1,276	271	349
Depreciation and amortization	2,488	1,673	1,440
Gain on extinguishment of debt	(360)	(1,283)	--
Changes in assets and liabilities	(8,379)	2,002	(7,043)
<b>Net cash provided by (used in) operating activities of continuing operations</b>	<b>(3,943)</b>	<b>5,756</b>	<b>(555)</b>
<b>Net cash used in operating activities of discontinued operations</b>	<b>(207)</b>	<b>--</b>	<b>(1,017)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (4,150)</b>	<b>\$ 5,756</b>	<b>\$ (1,572)</b>
Other significant cash flow activities:			
Proceeds from issuance of common stock	10	1,589	572
Payments for business acquisitions, net of cash acquired	--	(38,005)	--
Repurchase of 3/4% Notes	(84,522)	(136,858)	--