To our stockholders:

In 2010, as the greater economy seemed to finally turn the corner towards recovery, Adobe delivered an outstanding year, reporting record growth and strong performance across all our businesses.

The year's highlights included the release of Creative Suite® 5, Acrobat X, and the new Digital Publishing Suite. We also delivered Adobe Flash® Player 10.1, a landmark release that not only achieved the fastest adoption on PCs to date, but also extended the Flash Player technology to a broader range of mobile phones, TVs, and devices than ever before.

The integration of our Omniture business has gone even better than planned, and we further expanded our technology portfolio with the acquisition of Day Software in October.

The diversity of our operations and the breadth of our market opportunities continue to provide stability and catalyze growth. Adobe is undergoing an exciting transformation from a predominantly desktop software company to a business that delivers mission critical solutions to a very diverse set of customers.

Financial snapshot: Fiscal year 2010

Adobe achieved record revenue of $3.8 billion in fiscal 2010, compared to $2.9 billion in fiscal 2009. This represents 29% year-over-year revenue growth. In the fourth quarter, we delivered our first billion dollar quarter, representing 33% year-over-year revenue growth.

Our two largest business units, Creative Solutions and Digital Enterprise Solutions, grew 21% and 18% year-over-year respectively, generating $2.1 billion and $1.0 billion in revenue. We also drove strong revenue from our newly acquired Omniture business during the year, and with record Omniture bookings in fiscal 2010, it is clear this acquisition was transformative in making Adobe more mission critical to our customers.

We remained focused on maintaining a healthy balance sheet, finishing the fiscal year with approximately $2.5 billion in cash and cash equivalents. We generated over $1.1 billion in cash flow during the year. We also repurchased over 31 million shares of common stock during the fiscal year, returning $910 million to Adobe stockholders.

The landscape ahead

Adobe's continued success is predicated on our ability to forecast emerging trends and position ourselves favorably for the future. As we look to the year ahead, there are three fundamental trends that stand out as drivers of opportunity for our business.

The first is an explosion in the number and diversity of screens in the marketplace. The multiscreen revolution is transforming both how content is consumed and the technical complexity of how that content is produced, particularly for designers and developers. It's creating new business opportunities while simultaneously creating significant workflow challenges. The multiscreen trend is one that no company can ignore – and one that will fuel years of innovation across all aspects of content creation, delivery, and optimization.

The second major trend we are witnessing is the increased relevance of data-driven marketing. Every business has or will have an online presence, giving them unprecedented opportunities to track, collect, and analyze large quantities of data about their content, advertisements, and audience. This data can be used to optimize not only messaging and content, but to steer the direction of their entire business strategy. The ongoing cycle of tracking, analysis, and optimization will be essential for every successful business. The massive volume of content and data involved, as well as the challenge of rapid analysis, mean significant opportunities for Adobe.

The third shift we see is a marked transition in the enterprise space from investment in back-end infrastructure to a focus on the experience of the customer and end-user. Customers are raising the bar of their expectations, demanding a better user experience, mobile access, integration with social networks, and more. Customer acquisition and retention will depend directly on the quality of experience an organization can provide, across a broad variety of digital touchpoints. Simply put, customer experience management will make the difference between enterprises that succeed with their customers and those that don't.

Fertile ground

Our extensive line of complementary products and solutions, combined with the macro trends above, present a promising future. We are transforming how individuals, businesses, and governments create, manage, deliver, and optimize the digital content they create for an increasingly multiscreen world. We are focused on three key spheres of opportunity in the coming year:

Content authoring

As the quantity of digital content explodes, no other organization is better positioned to benefit from the revolution in how digital content is created, managed, distributed, and monetized, or more prepared to take advantage of the spread of content across every screen in a person's life. We continue to innovate both at the product level, to offer authoring and workflows for multiformat and multiscreen content, and at the business level, to increase penetration and attract new customers. We have plans for bold new solutions for media companies and digital publishing, as well as new ways to take advantage of the expansion of digital imaging and video.

Online marketing

Adobe is poised to set the standard for how digital content and marketing is measured, executed, and optimized. We will continue to build on our market leadership in web analytics with our Online Marketing Suite. Globally, expenditures in the online advertising market are expected to exceed $109 billion by 2013*. We are making aggressive investments to ensure our leadership in this space, and we believe the revenue opportunity is greater than $2 billion annually. In the coming months, we plan to unveil new innovations that will provide advertisers and content publishers with even more capability to convert collected data into sound business decisions.

Customer experience management

Customer experience management (CEM) will be a keystone differentiator for all businesses going forward. We will use our deep experience in design, development, and user interface technologies, combined with our extensive knowledge of the enterprise, to offer businesses comprehensive solutions for successfully engaging customers with powerful digital experiences. We believe the addressable market here exceeds $4 billion, and we are uniquely positioned to be the market leader in this emerging category. We are expanding our current solutions with the integration of web content management tools from our acquisition of Day Software, and we will continue empowering our customers with new innovations in experience design.

Being good neighbors

Our passion for driving technological innovation is matched by our commitment to fostering positive change in the communities in which we work and live.

We are proud to be ranked as one of the top 50 most socially responsible companies in the United States. We are a recognized leader in promoting environmental stewardship and maintaining a healthy work environment, with our corporate headquarters having achieved many "green building" firsts. In 2010, Adobe was honored as one of the World's Most Ethical Companies for its commitment to ethical leadership, compliance practices, and corporate social responsibility.
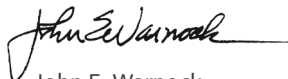
Adobe focuses the majority of our philanthropic resources on Adobe Youth Voices, the signature initiative of the Adobe Foundation. Adobe Youth Voices empowers youth in underserved communities around the globe with real-world experiences and 21st-century tools to communicate their ideas, exhibit their potential, and take action in their communities. The project's global network currently includes more than 500 sites, as well as grantees and organizations in 32 countries, engaging more than 27,000 youth and 1,500 educators.

As we look to 2011, we believe industry trends and Adobe's strengths are intersecting in a way that offers us unique opportunities to capitalize on the future. Our large addressable markets, strong brand, world-class products, and diversified business have positioned us for growth. Now we plan to execute, and continue changing the world through digital experiences.

Sincerely,

Shantanu Narayen
President and Chief Executive Officer

John E. Warnock
Chairman of the board

Charles M. Geschke
Chairman of the board

*Worldwide and U.S. Internet Advertising 2010-2014 Forecast and Analysis, IDC, May 2010

Senior executive officers

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*President and
Chief Executive Officer*

Mark Garrett
*Executive Vice President and
Chief Financial Officer*

Karen Cottle
*Senior Vice President,
General Counsel and
Corporate Secretary*

John Loiacono
*Senior Vice President,
Digital Media Solutions
Business Unit*

Kevin Lynch
*Senior Vice President
and Chief Technology Officer*

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Adobe Systems Incorporated*

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*Chairman of the Board,
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Risks and uncertainties

This document contains forward-looking statements, including statements regarding product plans, product future growth, and market opportunities, 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, those discussed in our SEC filings, including the 2010 Annual Report on Form 10-K and quarterly reports on Form 10-Q to be filed in 2011. When used in this document, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "targets," "estimates," and similar expressions, as well as descriptions of our focus for the future, are generally intended to identify forward-looking statements. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this document. We undertake no obligation to publicly release any revisions to the forward-looking statements that reflect events or circumstances after the date of this document.

Investor relations

If you would like to receive additional financial documents, such as prior annual reports, earnings press releases, or Adobe's SEC filings on Form 10-Q or Form 10-K, you can request them without charge by calling 408-536-4700 or sending an email to *adobe@kpcorp.com.* Please include your contact information with the request. You can obtain Adobe financial calendar information such as earnings release dates, listen to Adobe management conference calls, view recent Adobe investor presentations, sign up to automatically receive Adobe investor news via email, and obtain other Adobe finance-related documents online at *www.adobe.com/ADBE.*

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Stock exchange listing

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