ADOBE SYSTEMS INC
Form 10-K
January 24, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ý   **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended November 30, 2007

OR

o   **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from   to
Commission file Number: 0-15175

ADOBE SYSTEMS INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**77-0019522**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

345 Park Avenue, San Jose, California 95110-2704

(Address of principal executive offices and zip code)

(408) 536-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $0.0001 par value per share	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý   No o

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o   No ý

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý   No o

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer ý   Accelerated filer o   Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o   No ý

The aggregate market value of the registrant's common stock, $0.0001 par value per share, held by non-affiliates of the registrant on June 1, 2007, the last business day of the registrant's most recently completed second fiscal quarter, was $20,875,448,074 (based on the closing sales price of the registrant's common stock on that date). Shares of the registrant's common stock held by each officer and director and each person who owns 5% or more of the outstanding common stock of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. As of December 28, 2007, 568,955,874 shares of the registrant's common stock, $0.0001 par value per share, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2008 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days of the end of the fiscal year ended November 30, 2007, are incorporated by reference in Part III hereof. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

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Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements, including statements regarding product plans, future growth and market opportunities which involve risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this section under "Risk Factors". You should carefully review the risks described herein and in other documents we file from time to time with the Securities and Exchange Commission ("SEC"), including the Quarterly Reports on Form 10-Q to be filed in 2008. When used in this report, the words "expects," "could," "would," "may," "anticipates," "intends," "plans," "believes," "seeks," "targets," "estimates," "looks for," "looks to," and similar expressions, as well as statements regarding our focus for the future, are generally intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements which speak only as of the date of this Annual Report on Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

PART I

ITEM 1. BUSINESS

Founded in 1982, Adobe Systems Incorporated is one of the largest and most diversified software companies in the world. We offer a line of creative, business and mobile software and services used by creative professionals, designers, knowledge workers, high-end consumers, original equipment manufacturer ("OEM") partners, developers and enterprises for creating, managing, delivering and engaging with compelling content and experiences across multiple operating systems, devices and media. We distribute our products through a network of distributors and dealers, value-added resellers ("VARs"), systems integrators, independent software vendors ("ISVs") and OEMs, direct to end users and through our own Web site at www.adobe.com. We also license our technology to hardware manufacturers, software developers and service providers, and we offer integrated software solutions to businesses of all sizes. We have operations in the Americas, Europe, Middle East and Africa ("EMEA") and Asia. Our software runs on personal computers with Microsoft Windows, Apple OS, Linux, UNIX and various non-PC platforms, depending on the product.

Adobe was originally incorporated in California in October 1983 and was reincorporated in Delaware in May 1997. We maintain executive offices and principal facilities at 345 Park Avenue, San Jose, California 95110-2704. Our telephone number is 408-536-6000. We maintain a Web site at www.adobe.com. Investors can obtain copies of our SEC filings from this site free of charge, as well as from the SEC Web site at www.sec.gov.

BUSINESS OVERVIEW

For more than 25 years, Adobe software and technologies have helped redefine how people engage with ideas and information anytime, anywhere and through any medium. The impact of our solutions is evident across many industries and is felt by anyone who creates, views and interacts with information.

Today, through the delivery of powerful design, imaging and publishing software for print, Web and dynamic media production, and by delivering a technology platform, we help people express, share, manage and collaborate on their ideas in imaginative and meaningful new ways.

Our strategy is to address the needs of a variety of customers which include creative professionals graphic designers, Web designers, videographers, photographers and professional publishers; knowledge workers teams of workers who share and collaborate on high-value information; enterprise users IT managers, line of business managers and executives; high-end consumers digital imaging and digital

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video hobbyists and enthusiasts; application developers and OEM partners such as mobile device manufacturers, printer manufacturers, Internet service providers and developers.

We execute against this strategy by delivering products that support industry standards and can be deployed across multiple computing environments. We also leverage our technology platform which utilizes our universal Adobe Reader and Adobe Flash Player software and our new Adobe AIR software, formerly Adobe Integrated Runtime ("Adobe AIR") which enables developers to build and deploy rich Internet applications to the desktop. Our technology platform allows users of our products and technologies to ensure reliable, secure and rich application experiences across desktops, browsers and devices.

PRODUCTS AND SERVICES OVERVIEW

In fiscal 2007, we categorized our products and services into the following segments: Creative Solutions, Knowledge Worker Solutions, Enterprise and Developer Solutions, Mobile and Device Solutions and Other. Effective in the first quarter of fiscal 2008, we will combine Knowledge Worker Solutions and Enterprise and Developer Solutions to create a new segment called Business Productivity Solutions. As part of this realignment, we will move responsibility for Flex Builder, the Flex Software Development Kit ("SDK") and our ColdFusion product line to our Platform Business Unit. Accordingly, we have adjusted the categorization of our products and services into the following segments: Creative Solutions, Business Productivity Solutions, Mobile and Device Solutions and Other. Additionally, in the first quarter of fiscal 2008, we will rename Print and Classic Publishing Business Unit to Print Publishing Business Unit. This overview, organized by new segments, combines an explanation of our various market opportunities with a summary of our fiscal 2007 results and a discussion of our strategies to address our market opportunities in fiscal 2008 and beyond.

Creative Solutions Segment

Creative Solutions Market Opportunity

Our Creative Solutions segment focuses primarily on the needs of the creative professional customer. Creative professionals include graphic designers, production artists, Web designers and developers, user interface designers, writers, videographers, photographers and prepress professionals who use and rely on Adobe's solutions for professional publishing, Web design and development, professional photography, video production, animation and motion graphic production and printing visually rich information.

Our software tools are used by creative professionals to create much of the printed and on-line information people see and read every day, including newspapers, magazines, Web sites, catalogs, advertisements, brochures, product documentation, books, memos, reports and banners. Our tools are also used to create and enhance visually rich content, including video, animation and mobile content, that is created by multimedia, film, television, audio and video producers who work in advertising, Web design, music, entertainment, corporate and marketing communications, product design, user interface design, sales training, printing, architecture and fine arts. Knowledge workers, hobbyists and high end consumers are also attracted to our creative products to create and deliver content that is of creative professional quality.

Our offerings in the creative solutions market extend to real-time rich media solutions which give business users the control to upload, manage, enhance and publish dynamic rich content with minimal IT support. Our offerings also extend to the delivery of rich media through streaming media and a flexible development environment for creating and delivering innovative, interactive media applications. Our media products and services enable broadcasters, events organizers and marketers to reach the broadest possible audience via a rich Flash platform.

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As technology continues to improve, the market dynamics for these creative professionals continue to evolve. Due to the ever changing ways in which people choose to receive information, creative professionals look to their software tools as a means to make their information impactful and to repurpose content across a variety of media and applications. They desire greater efficiency from the software they use to streamline their publishing and content creation workflows and to effectively manage their assets. They also look for new and innovative ways to deliver their content and information to hand-held devices such as mobile handsets and consumer electronic devices.

Adobe's brand and customer loyalty in this market continues to be strong. Creative professional customers license upgrades and new units of our Creative Solutions products due to the high degree of innovative new features and significant productivity gained through their use. They also frequently purchase license upgrades and new units of these products when they buy new computers, or migrate to new or updated operating systems.

In addition, knowledge workers at work and hobbyists at home license our Creative Solutions products. Knowledge workers desire professional-quality products to accomplish tasks such as creating visually-rich sales presentations, engineering or architectural proposals, real estate flyers and school year books. Hobbyists use our tools to create distinctive online communications and photo albums, community newsletters, Web blogs, animations, videos and Web sites for family, friends or community organizations.

With the increasing use of the Web as a means for marketing and advertising, we believe a key driver of our Creative Solutions business will also be the growing amount of Web site and mobile device content created by our customers to deliver impactful and compelling Web-based experiences for their constituents.

Another driver of our Creative Solutions business is the growth in the use of digital devices such as digital cameras, digital video cameras, multimedia-enabled computers, DVD players, scanners, Web-capable image and video-enabled handheld devices, cellular phones, gaming consoles and other non-PC Internet-connected devices. In addition, Internet broadband adoption makes the Web a viable platform for the delivery of rich media, especially digital video. In turn, the growth in the use of high definition ("HD") televisions and video is driving the need for HD-enhanced video tools to produce HD content for movies, and cable and commercial television, as well as the need to deliver or repurpose this content to be viewed on the Web.

As the use of digital photography and digital videography grows, we believe creative professionals and professional photographers throughout the world will continue to require software solutions to edit, enhance and manage their digital photographs and digital videos. Increasingly, we expect these users to desire software solutions which leverage the Web as a platform to deliver the capabilities of some or all of the features they desire in desktop software. In addition, we believe creative professionals and Web developers are increasing their use of digital video streams over the Web to create more compelling Web sites that leverage the adoption of broadband. We believe professional videographers are upgrading their systems to support HD video content creation, enhancement and delivery. We also believe hobbyists will use, with more frequency, digital imaging and digital video software and online hosted software services as they purchase more affordable digital cameras and digital video cameras.

Creative Solutions Business Summary

In fiscal 2007, we maintained our focus on driving adoption of our creative products, particularly our Adobe Creative Suite family of products. During the year, we launched the largest product release in our history with the release of Adobe Creative Suite version 3 ("CS3"). CS3 incorporates Adobe technologies used by creative professionals into six Creative Suite editions, providing offerings for the various creative disciplines our customers desire.

The CS3 family of products includes enhanced features which allow users to work more efficiently, improve product integration among the various technologies within the Creative Suite products and integrate workflow and collaboration capabilities. The family of products also includes support for the newest operating systems and hardware platforms, including Microsoft's Vista operating system and Apple's new Macintosh hardware which utilize Intel-based processors.

During fiscal 2007, in addition to licensing our technologies as part of the six Creative Suite offerings, we continued to focus on adoption of our stand-alone products by delivering new versions of 13 individual creative products. In the second and third quarters of fiscal 2007, we delivered new versions of products such as Adobe After Effects, Adobe Contribute, Adobe Dreamweaver, Adobe Encore, Adobe Fireworks, Adobe Flash, Adobe InCopy, Adobe InDesign, Adobe Illustrator, Adobe Photoshop and Adobe Premiere Pro. We also released a new audio tool called Adobe Soundbooth.

With the initial launch of CS3 in our second quarter of fiscal 2007, we achieved record Creative Solutions revenue in successive quarters beginning with the launch quarter and continuing through the end of the fiscal year. This was achieved through broad adoption of our new offerings, driven by positive industry reviews and strong demand for the capabilities of the newly launched products.

As part of the CS3 launch, we maintained our focus during the year on meeting the digital imaging and video software needs of professional photographers, professional videographers, business users and hobbyists. Adobe Photoshop is an essential tool in these customers' workflows, and they rely on Adobe's digital imaging and video editing solutions to create and enhance many of the pictures and video we see everyday in print, on television, in movies and on the Web. The release of Adobe Photoshop CS3 in the second quarter of fiscal 2007 included many new desirable features and received positive industry reviews. At the same time, we also delivered a new, advanced version called Adobe Photoshop CS3 Extended Edition which added measurement and analysis tools, three-dimensional ("3D") visualization and texture editing and video feature capabilities to the product family.

Earlier in the year, we added another product to the Photoshop family called Adobe Photoshop Lightroom. Photoshop Lightroom version 1.0 was released in the first quarter of fiscal 2007, and quickly became the leading digital imaging solution targeted at professional photographers that delivers an efficient, powerful way to import, select, develop and showcase large volumes of digital images. Combined, Photoshop CS3, Photoshop CS3 Extended Edition and Photoshop Lightroom achieved strong market adoption and revenue results during the year.

In the dynamic media market, which includes users who require new and advanced digital video and animation technologies, we continued to focus on driving adoption of our new digital video-based technologies. As part of the CS3 launch, we released new versions of our dynamic media products in the third quarter of fiscal 2007. A key part of this release was the delivery of our new Adobe Creative Suite Production Premium suite for both Windows and Macintosh platforms. In addition to various new features and ease-of-use improvements found in each of the new versions of the individual products, we improved support for output of video for the Flash Player ("FLV") in our family of digital video products to leverage the broad, increased adoption of FLV on the Web as a means to deliver compelling video content. These new features, combined with the enhanced FLV support and increased adoption of our Flash Media Server solution which customers use to stream FLV over the Web, helped drive record revenue and more than 19% year-over-year growth for our dynamic media business in fiscal 2007. Looking to continue this momentum, we announced Adobe Flash Media Server 3 in September 2007 and we expect it will be broadly available in 2008.

In the professional page layout market, we continued to drive market share gains during the year with our Adobe InDesign product. In addition to success with the stand-alone desktop version, we also saw the InDesign ecosystem grow in fiscal 2007 our software and systems integrator partners successfully deployed new innovative workflow solutions based on InDesign and InDesign Server within enterprise-class newspaper, magazine and book publishing systems. Similarly, in the Web layout and Web

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development markets, and in the illustration markets, we achieved strong revenue results driven respectively by the delivery of new versions of our Adobe Dreamweaver and Adobe Illustrator products. Our success in these areas contributed to record annual revenue in these product categories.

In the second quarter of fiscal 2007, we acquired Scene7 Inc. ("Scene7"), a leading provider of hosted, on-demand, rich media delivery services. Scene7 provides businesses an easy-to-use, Web-based system to upload, manage, enhance and publish dynamic rich content and Scene7 solutions are utilized by many online retailers such as Sears, Macy's, Levi Strauss & Co., Anthropologie, OTTO UK, Lands' End and QVC.

During the fourth quarter of fiscal 2007, we released version 6.0 of our Adobe Photoshop Elements software which is our digital imaging application targeted for amateur photographers and digital imaging hobbyists. In the same quarter, we released version 4.0 of Adobe Premiere Elements software which is our video editing software that can be used by hobbyists to enhance and share their digital video memories on DVDs. We also released a software bundle that includes the new versions of Adobe Photoshop Elements and Adobe Premiere Elements to target hobbyists who desire both applications in one affordable package. These new hobbyist product releases helped to generate record revenue in this product category during the year, and contributed year-over-year revenue growth to our overall creative business.

Creative Solutions Business Strategy

In fiscal 2008, our Creative Solutions strategy will continue to focus on driving revenue growth and increasing market share of our products through the delivery of comprehensive software solutions that meet the evolving needs of our customers. To help drive this strategy, we will continue to market the benefits of our Creative Suite family of products while our engineering teams work on future product versions with a focus on improved integration between our products, as well as enhanced functionality, and more efficient collaboration and workflow capabilities.

We believe that, while many customers have made or will make the switch to our Creative Suite products from individual applications over time, there continues to exist an opportunity of upgrading existing individual users to newer versions of these products. In addition, we will market the benefits of newer versions of the Creative Suite to existing users to drive upgrades. We also will market the features of these products to new users of creative applications those who aspire to be creative professionals, or those at home or at work who wish to use the professional-level capabilities of our solutions, but are not trained creative professionals.

We intend to continue our efforts to be the recognized market leader in the professional page layout, Web layout and illustration software markets. In page layout, we plan to add new features to our InDesign product, as well as continue to enhance its integration with other products print professionals utilize in their workflows. In Web layout, we strive to continue to redefine the Web experience by offering the most feature-rich, market-leading solutions for Website design and development with our Dreamweaver and Flash offerings. In illustration, we will continue to innovate and develop new capabilities which we believe will preserve our Illustrator product as a leading graphics creation solution.

We plan to continue to work on enhancements for our Photoshop and Photoshop Extended product offerings to meet the evolving needs of professional photographers, creative professional customers (including graphic designers, Web designers, and video producers), imaging enthusiasts and users in new markets such as engineering and medical imaging to drive upgrades and new user adoption. We also plan to add new capabilities to Adobe Photoshop Lightroom, our digital photography workflow tool for professional photographers. In addition, we continue to believe many customers will license the Photoshop product capabilities via our Creative Suite products as opposed to licensing the stand-alone versions.

With our set of professional digital video and motion graphic products, we strive to provide the market-leading, end-to-end digital video, motion graphic and animation platform for our customers. To

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grow this business, we will continue to market the advanced features, the cross-platform and cross-device capabilities, and the workflow benefits of this platform to creative professionals and videographers in the film, broadcast, corporate and event videography market segments. We are also enhancing our Flash Media Server solution to deliver the highest quality video streaming capability, and we are working with partners to deliver integrated video systems and video delivery services. With broad adoption of Adobe Flash Player and its high-quality video playback features, we will continue to work on advancing our seamless video authoring-to-playback workflow capability for those wishing to provide a rich video experience on the Web and to mobile devices.

To further our initiatives in digital video and motion graphics, we are extending our leadership position in Web video by enabling the delivery of HD television quality and premium audio content through the Adobe Flash Player. With new support for H.264 standard video (the same standard deployed in Blu-Ray and HD-DVD high definition video players) and High Efficiency AAC audio support, as well as hardware accelerated, multi-core enhanced full screen video playback, we believe we can improve customer workflows by enabling the creation and repurpose of high-quality Web video content. We also intend to release a generally available version of our new Adobe Media Player which enables viewers of video to enjoy content from broadcast television and Web video providers, giving them control to watch their favorite shows both online and offline in an engaging, customized video experience. We plan to work closely with partners who will support and offer solutions based on the new player, that will help enable new ways to brand, distribute, monetize, protect and measure media. In addition, as the number of hobbyists desiring easy-to-use video editing solutions grows, we intend to enhance the video editing and DVD creation capabilities of our Adobe Premiere Elements and Adobe Premiere Express products for the sharing of digital video memories.

With our Scene7 solutions, we intend to market their capabilities to help customers automate the production and availability of rich media experiences, including zoom, dynamic sizing, personalization and interactive dynamic product catalogs. In addition, we believe Scene7 will help Adobe build out a robust Internet infrastructure, allowing us to further develop Scene7's brand-name customer list and accelerate the online availability of Adobe technologies used by millions of creative professional and hobbyist users.

Creative Solutions Products

Adobe After Effects Professional software used to create sophisticated animation, motion graphics and visual effects found in television broadcast, film, DVD authoring and the Web; provides 2D and 3D compositing, animation and visual effects tools, as well as advanced features such as motion tracking and stabilization, advanced keying and warping tools, more than 30 additional visual effects and additional audio effects.

Adobe Audition a professional audio editing environment designed for demanding audio and video professionals; provides advanced audio mixing, editing and effects processing capabilities.

Adobe Creative Suite Design Premium an integrated software solution that creative professionals can use as a platform for print, Web and mobile content publishing; combines Adobe Acrobat Professional, Adobe Dreamweaver, Adobe Flash Professional, Adobe Illustrator, Adobe InDesign and Adobe Photoshop Extended technologies with file management and integration technology called Version Cue, a navigational control center called Adobe Bridge, a new feature called Adobe Device Central which allows users to produce innovative and compelling content for a broad range of mobile phones and consumer electronics devices, and Adobe Acrobat Connect Web conferencing software that enables users to instantly communicate and collaborate through easy-to-use, easy-to-access online personal meeting rooms.

Adobe Creative Suite Design Standard an integrated software solution that creative professionals can utilize for professional design and print production, page layout, image editing, illustration and Adobe PDF workflows; combines Adobe Acrobat Professional, Adobe Illustrator, Adobe InDesign and Adobe Photoshop technologies with file management and integration technology called Version Cue, a

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navigational control center called Adobe Bridge, a new feature called Adobe Device Central which allows users to produce innovative and compelling content for a broad range of mobile phones and consumer electronics devices, and Adobe Acrobat Connect Web conferencing software that enables users to instantly communicate and collaborate through easy-to-use, easy-to-access online personal meeting rooms.

Adobe Creative Suite Web Premium an integrated software solution that provides creative professionals a complete solution for creating interactive Websites, applications, user interfaces, presentations, mobile device content and other digital experiences; allows users to prototype Web projects, design Web site assets, build Web experiences and efficiently maintain and update Web content; combines Adobe Acrobat Professional, Adobe Contribute, Adobe Dreamweaver, Adobe Fireworks, Adobe Flash Professional, Adobe Illustrator and Adobe Photoshop Extended technologies with file management and integration technology called Version Cue, a navigational control center called Adobe Bridge, a new feature called Adobe Device Central which allows users to produce innovative and compelling content for a broad range of mobile phones and consumer electronics devices, Adobe Acrobat Connect Web conferencing software that enables users to instantly communicate and collaborate through easy-to-use, easy-to-access online personal meeting rooms, and Adobe Dynamic Link which enables intermediate rendering for a smother workflow between video production tools.

Adobe Creative Suite Web Standard an integrated software solution that provides a basic toolkit for Web designers and developers to prototype, design, develop, and maintain Websites, Web applications, interactive Web experiences and mobile content; combines Adobe Contribute, Adobe Dreamweaver, Adobe Fireworks and Adobe Flash Professional technologies with file management and integration technology called Version Cue, a navigational control center called Adobe Bridge, a new feature called Adobe Device Central which allows users to produce innovative and compelling content for a broad range of mobile phones and consumer electronics devices, and Adobe Acrobat Connect Web conferencing software that enables users to instantly communicate and collaborate through easy-to-use, easy-to-access online personal meeting rooms.

Adobe Creative Suite Production Premium an integrated software solution that provides creative professionals a complete post-production solution consisting of video, audio and design tools that can be utilized to create and deliver content to film, video, DVD, Blu-ray Disc, the Web and mobile devices; combines Adobe After Effects Professional, Adobe Encore, Adobe Flash Professional, Adobe Illustrator, Adobe Photoshop Extended, Adobe Premiere Pro and Adobe Soundbooth technologies with a navigational control center called Adobe Bridge, a new feature called Adobe Device Central which allows users to produce innovative and compelling content for a broad range of mobile phones and consumer electronics devices, Adobe Acrobat Connect Web conferencing software that enables users to instantly communicate and collaborate through easy-to-use, easy-to-access online personal meeting rooms, and Adobe Dynamic Link which enables intermediate rendering for a smoother workflow between video production tools.

Adobe Creative Suite Master Collection an integrated software solution which provides all the tools creative professionals require to create content for every design discipline in one offering; provides capabilities for professional page layout, image editing, vector illustration, print production, Website design/development, rich interactive content creation, visual effects and motion graphics, video capture/editing/production, DVD titling and digital audio production; includes Adobe Acrobat Professional, Adobe After Effects Professional, Adobe Contribute, Adobe Dreamweaver, Adobe Encore, Adobe Fireworks, Adobe Flash Professional, Adobe Illustrator, Adobe InDesign, Adobe Photoshop Extended, Adobe Premiere Pro and Adobe Soundbooth technologies, Version Cue, Adobe Bridge, Adobe Device Central, Adobe Acrobat Connect and Adobe Dynamic Link.

Adobe Dreamweaver a professional software development application used by designers and developers to create a broad range of Web solutions for publishing online commerce, customer service and

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online educational content; includes capabilities for visually designing HTML pages, coding HTML and application logic and working with application server technologies.

Adobe Encore professional DVD authoring and creation software; provides a comprehensive set of design tools and integration with other Adobe software to create a streamlined DVD creation workflow; provides ability to output projects to recordable DVD formats, ensuring a wide degree of playback compatibility.

Adobe Fireworks a professional graphics design tool for building interactive Web graphics; gives professional designers and developers tools for creating images that can be deployed to Web browsers and the Adobe Flash Player; integrates with Adobe Flash and Adobe Dreamweaver.

Adobe Flash Media Interactive Server a new configuration of our streaming media capabilities to deliver secure, high-quality video on demand, video blogging and messaging, Web conferencing and live video capabilities that can be viewed via the Flash Player; provides a flexible development environment for creating and delivering interactive media applications; utilized by many industries, including media and entertainment, telecommunications, advertising, government and education.

Adobe Flash Media Streaming Server a new, lower-cost version of our streaming media capabilities that can be used to deliver live streaming and video-on-demand streaming; configured for lower volume streaming of content that is suitable for small- and medium- size streaming needs.

Adobe Flash Professional provides an advanced development environment for creating Internet applications which integrate animations, motion graphics, sound, text and additional video functionality; solutions built with Adobe Flash Professional are deployed via the Web to browsers and to devices that run Adobe Flash Player.

Adobe GoLive Web design and publishing software that provides innovative tools that Web authors use to design, layout, produce and maintain content for Web sites and wireless Web devices without the need for complex multimedia programming.

Adobe Graphics Server imaging server software used to create and maintain digital graphics and images on frequently updated data-driven content, such as Web sites and printed catalogs, by automating the creation and the reuse of images; integrates with content management and e-commerce systems to automate workflows, and eliminates the tedious manual tasks of refining and reformatting images for specific purposes.

Adobe Illustrator a vector-based illustration design tool used to create compelling graphic artwork for print publications and the Web.

Adobe InCopy an editorial tool for collaboration between writers, editors and copy-fitters; Adobe InCopy is a companion to Adobe InDesign.

Adobe Kuler a Web-hosted application designed to work as a stand-alone application, and, to complement Adobe Creative Suite by enabling color palette exploration, inspiration, experimentation and sharing.

Adobe InDesign a page-layout application for publishing professionals; based on an open, object-oriented architecture it enables Adobe and its industry partners to deliver powerful publishing solutions for magazine, newspaper and other publishing applications.

Adobe InDesign Server technology for third-party systems integrators and developers to use for building design-driven, server-based publishing solutions; brings the innovative design and typography features of InDesign software to the server platform and enables Adobe partners to provide new levels of automation and efficiency in high-end editorial workflows, collateral creation, variable data publishing and Web-based design solutions.

Adobe OnLocation direct-to-disk recording and monitoring software which helps generate superior quality video from an SD or HD camera connected to a laptop computer; formerly called DV Rack.

Adobe Photoshop provides photo design, enhancement and editing capabilities for print, the Web and multi-media; used by graphic designers, professional photographers, Web designers, professional publishers and video professionals, as well as amateur photographers and digital imaging hobbyists.

Adobe Photoshop Extended provides the capabilities of Adobe Photoshop, plus additional tools for editing 3D and motion-based content, and performing image analysis; targeted for: film, video and multimedia professionals; graphic and Web designers using 3D and motion; manufacturing professionals; medical professionals; architects and engineers; and scientific researchers.

Adobe Photoshop Elements offers powerful yet easy-to-use photo editing functionality plus intuitive organizing, printing and sharing capabilities for amateur photographers and hobbyists who want to create professional-quality images for print and the Web.

Adobe Photoshop Express a new Web-hosted application licensed to media portals for photo editing and sharing that utilizes Adobe's award-winning imaging technologies.

Adobe Photoshop Lightroom software designed for professional photographers, it addresses their unique photography workflow needs by providing more efficient and powerful ways to import, select, develop and showcase large volumes of digital images.

Adobe Premiere Elements a powerful yet easy-to-use video-editing software for home video editing; provides tools for hobbyists to quickly edit and enhance video footage with fun effects and transitions and create custom DVDs for sharing video with friends and family.

Adobe Premiere Express new Adobe video remix and video editing software licensed to media portals such as MTV.com, Photobucket and YouTube to provide consumers with embedded access to industry leading Adobe video editing and enhancement technologies.

Adobe Premiere Pro professional digital video-editing software used to create broadcast-quality content for video, film, DVD, multimedia and streaming over the Web.

Adobe Soundbooth a new application that provides video editors, designers and others who do not specialize in audio with the tools that they need to accomplish audio-based tasks in their everyday work, such as removing noise from recordings, polishing voiceovers and customizing music to fit a video or animation production.

Adobe Stock Photos a service that allows users of Adobe Creative Suite products to purchase stock photography directly from leading agencies.

Adobe Ultra software used to transform digital video and HD keying into a practical daily production tool for all types of video professional users.

Adobe Visual Communicator software used to create newscast-style video presentations that can be delivered via email, CD, DVD, PowerPoint or live over the Internet.

Flash Video Streaming Service either through direct sales, or together with leading content delivery network ("CDN") providers, Adobe offers hosted services for streaming on-demand Flash across high-performance networks; built with Adobe Flash Media Server, Flash Video Streaming Service provides an effective way to deliver FLV to large audiences without the overhead of setting up and maintaining streaming server hardware and network.

Ovation software which allows users to enhance Microsoft PowerPoint slides into a richer visual experience to help deliver more impactful information, presentations and messages.

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Scene7 On-Demand provides an easy-to-use, Web-based system to upload, manage, enhance and publish dynamic rich content; used by many leading online retail Websites to automate the production and availability of rich media experiences, including zoom, dynamic sizing, personalization and interactive dynamic product catalogs.

Vlog It! software which allows users to easily create dynamic video blogs containing photos, audio, video clips and narration.

Business Productivity Solutions Segment

Effective in the first quarter of fiscal 2008, to better align our engineering and marketing efforts with our business development and go-to-market sales model in our global field organization, we merged our Knowledge Worker Business Unit with our Enterprise and Developer Business Unit to form our new Business Productivity Business Unit. As part of this realignment, we moved responsibility for Flex Builder, the Flex SDK and our ColdFusion product line to our Platform Business Unit to more effectively coordinate those initiatives with our broader platform strategy.

The focus of our Business Productivity Business Unit is to provide solutions which meet the needs of enterprises to improve their productivity, help automate business processes, improve collaboration and reduce time-to-market and costs.

Knowledge Worker Market Opportunity

As part of our Business Productivity Solutions focus, we address the needs of the knowledge worker customer who we define as someone focused on creating and disseminating high-value information as part of their job on a regular basis. Knowledge workers include a wide variety of job functions such as accountants, administrative assistants, executives, architects, educators, engineers, graphic designers, insurance underwriters, software developers and stock analysts just to name a few. These jobs typically require the sharing of information, either in an information dissemination (one-way) format, or in a collaborative (multi-way) format.

Knowledge workers must create information and content from a variety of software applications, and be able to exchange this information within a reliable format that ensures coworkers and constituents can reliably and securely access the information. When appropriate, this information often needs to be protected or securely managed and controlled.

Collaboration among knowledge workers can occur through face-to-face meetings, via phone calls, through e-mail or through Web conferencing technologies. Knowledge workers that participate in collaborations with their colleagues may be located in offices next door to each other, or in different parts of the world. These team members may change with every project and either be part of an organization's employee base, or be an external consultant or third party partner.

We believe there is a significant opportunity to provide solutions which enable knowledge workers to communicate and collaborate across technical, geographical and social boundaries, both inside and outside of their companies. We believe that with such solutions, users can collaborate and efficiently manage feedback from their colleagues in both real time and on-demand, and control how, when and by whom information is accessed.

Since the early 1990s, our Acrobat family of products has provided for the reliable creation and exchange of electronic documents, regardless of platform or application source type. Users can collaborate on documents with electronic comments and tailor the security of a file in order to distribute reliable Adobe PDF documents that can be viewed, printed or interacted with utilizing the free Adobe Reader. Available in different versions which target a variety of user needs, Adobe Acrobat provides essential electronic document capabilities and services to help knowledge workers accomplish a wide range of ad hoc tasks involving digital documents ranging from simple publications to forms to mission critical

engineering and architectural plans. Although Acrobat has achieved strong market adoption in document-intensive industries such as government, financial services, pharmaceutical, legal, aerospace, insurance and technical publishing, we believe there are tens of millions of users who require capabilities such as those provided by Acrobat who have not yet licensed an Acrobat based solution.

In addition to sharing and collaborating on documents reliably across disparate platforms with Acrobat, we believe there is an adjacent market opportunity whereby knowledge workers will increasingly utilize Web conferencing solutions to more effectively collaborate and consult with their colleagues, partners and customers. We also believe businesses will increasingly utilize Web conferencing to improve how they train, market, sell and support their products and solutions to their customers.

Our Adobe Acrobat Connect provides capabilities via the Adobe Flash Player for live Web conferencing, as well as delivering on-demand rich presentations. By integrating accessibility to the functionality of Acrobat Connect from Acrobat and the free Adobe Reader, we believe we can extend adoption of Web conferencing to a broader potential market and grow the use of such technology with an easy-to-adopt business model.

Knowledge Worker Business Summary

Our business targeting knowledge workers achieved record revenue and solid year-over-year growth in fiscal 2007. The largest component of this business was revenue generated by our Acrobat family of products, driven by continued adoption of Adobe Acrobat version 8.0 throughout the year.

The version 8 product family offers enhanced features that allow workgroups to manage a range of essential business activities such as assembling documents from multiple sources, controlling security and access to sensitive information, enabling the creation and filling out of intelligent electronic forms and more effectively collaborating on documents and projects. In addition, the Acrobat 8 family of products provides a new user interface and additional functionality to address specific customer workflow issues in vertical markets such as architecture, engineering, construction, manufacturing, education, government and financial services. These enhanced capabilities helped to continue the increase of our penetration of Acrobat desktop licenses in enterprises, thereby helping our business to grow.

Success with adoption of our Creative Suite products has also contributed to broader adoption of Acrobat in the creative professional market. Acrobat Professional 8 is included in four of the six new CS3 products that we began shipping in the second quarter of fiscal 2007, and utilization of Acrobat pre-press, printing and collaboration functionality is a critical component of creative customer workflows. As such, adoption of Acrobat through the Creative Suite product family has resulted in an increasing amount of Acrobat Professional revenue being reported in our Creative Solutions Segment during the year.

To supplement our vertical market focus with Acrobat, we shipped an updated version of Adobe Acrobat 3D in the second quarter of fiscal 2007. Acrobat 3D extends document-based 3D design collaboration capabilities to virtually anyone in the design supply chain from engineers to manufacturers. Acrobat 3D utilizes Adobe PDF as a cross-platform standard to share complex 2D and 3D content without the need for using proprietary viewing technology for recipients receiving such content.

Over the course of fiscal 2007, we also continued to focus on the Web conferencing market opportunity with our Acrobat Connect product line which is licensed by customers as server-based software, or licensed as a hosted service that we provide. This approach focuses on charging meeting organizers for the ability to host meetings, and allows for participants to join meetings for free utilizing the Adobe Flash player.

Knowledge Worker Strategy

In fiscal 2008, we plan to continue to market the benefits of our knowledge worker solutions to small and medium-sized businesses, large enterprises and government institutions around the world. With our

Acrobat family of products, we intend to continue to increase our seat penetration in these markets through the utilization of our corporate and volume licensing programs. We also intend to increase our focus on marketing and licensing Acrobat in vertical markets such as education, financial services, telecommunications, government, manufacturing and the architecture, engineering and construction markets.

We also plan to deliver new capabilities as part of the Acrobat family of products which focus on creating additional value for users in document-intensive vertical markets which require more advanced features and solutions. In addition, we intend to provide easier, more broad-based solutions and hosted services to users requiring basic and easy-to-use document authoring, collaboration and file storage capabilities.

With our Acrobat Connect product, we intend to increase awareness of our solution in targeted horizontal markets such as training and marketing, as well as targeted vertical markets such as manufacturing, financial services and telecommunications. We also intend to market the benefits of how our Acrobat and Acrobat Connect solutions can be used together to meet the synchronous and asynchronous collaboration needs in the marketplace. With the broad distribution and reach of our free Adobe Reader, we also intend to expose the capabilities of Acrobat Connect to potentially new users with a simple-to-adopt business model based on monthly or annual subscription fees.

Knowledge Worker Products

Adobe Acrobat 3D enables collaboration between extended teams of designers and engineers to more securely and reliably communicate, visualize and document architectural and manufacturing designs using 3D data; allows users to insert and publish 3D designs from major CAD applications in Adobe PDF documents that can easily be shared with suppliers, partners and customers using the free Adobe Reader software.

Adobe Acrobat Connect a rich Web-based communication system which enables organizations to reduce the costs of travel and increase the effectiveness of online training, marketing events, sales meetings and collaborative Web conferencing solutions which are instantly accessible by customers, partners and employees using Adobe Flash Player; consists of a core Connect Events Server or hosted service, and modules that provide specific application functionality, including Connect Training and Connect Events; can be deployed with either some or all of these components together; Connect Training allows organizations to build a complete online training system with Microsoft PowerPoint presentations that include surveys, analysis, course administration and content management; Connect Events allows users to provide seminar and training sessions as well as to conduct business presentations through the Web.

Adobe Acrobat Elements desktop software that enables enterprises to extend the value of their Microsoft Office investment by standardizing on Adobe PDF for reliable document distribution; provides for the easy conversion of Microsoft Office documents to Adobe PDF, preserving document integrity for reliable viewing and printing on other operating systems and hardware platforms inside and outside the enterprise's IT firewall.

Adobe Acrobat Messenger software that works with a scanner or digital copier and is designed for workgroups and departments to transform paper documents into electronic Adobe PDF files and deliver them via e-mail, Web or fax; allows users to preview their documents on-screen, crop or rotate pages and add electronic annotations.

Adobe Acrobat Standard creates secure, reliable and compact Adobe PDF files from desktop authoring applications such as Microsoft Office software, graphics applications and more; supports automated collaborative workflows with a rich set of commenting tools and review tracking features; includes everything needed to create and distribute rich electronic documents that can be viewed easily within leading Web browsers or on computer desktops via the free Adobe Reader.

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Adobe Acrobat Professional in addition to all the capabilities of Acrobat Standard, Acrobat Professional delivers specialized capabilities for creative professional and engineering users, such as pre-flighting, color separation and measuring tools.

Adobe Document Center a hosted service that enables businesses to secure and manage Adobe PDF files and other common business document files such as those in Microsoft Office formats.

Create Adobe PDF Online a Web-based subscription service that provides for the easy conversion of Microsoft Office documents and other application files to Adobe PDF for the secure and reliable sharing of rich electronic documents that can be viewed easily within leading Web browsers or on computer desktops via the free Adobe Reader.

Enterprise Business Process Opportunity

Enterprises are under increasing pressure to save money, offer improved customer service, adhere to regulatory requirements and leverage existing investments in core systems. As a means to address these issues, a critical component of an organization's business processes is the need to interact with data stored in enterprise applications. As this need expands beyond the core users of those applications, adapting systems to accommodate a diverse group of users including those within and those external to the organization has become an expensive and time-consuming endeavor. The outcome is a proliferation of manual workarounds that result in process inefficiencies, delays and poor quality of information.

In addition, enterprises have built Web applications which enjoy the reach of the Web but often fail to deliver a user interface with the ease of use and richness that users expect. This impedes utilization of these applications and increases training costs, reducing the overall return on investment ("ROI") that enterprises expect. Organizations are now looking to Rich Internet Applications ("RIA") to boost their ROI for these Web applications by combining a rich graphical application interface with the universal reach of the Web.

We believe significant opportunities exist to help enterprises address these issues by making their business processes more efficient and their Web applications more engaging. To address these opportunities, we offer Adobe LiveCycle solutions to securely extend the reach of information, processes and services to engage with customers and constituents. Our solutions leverage our technology platform which helps businesses and government agencies inspire commitment in their customers and constituents by engaging them anywhere, anytime and in any medium through our universal clients and application solutions.

Our technology platform utilizes our universal Adobe Reader and Adobe Flash Player software which ensure reliable, secure and rich application experiences across browsers, desktops and devices. The technology platform provides developers with an RIA programming model to integrate and optimize workflows and a server software framework to simplify integration and leverage existing enterprise infrastructures. We also offer services and other software components to accelerate the creation of compelling, relevant and actionable applications, either through RIAs or through intelligent electronic documents based on Adobe PDF.

We believe our technology platform revolutionizes how enterprises and government agencies present, deliver, consume and interact with information and content. By providing an integrated client-server framework, toolset and server-side process orchestration engine for developers, designers and IT organizations, we believe our solutions allow our customers to:

> Engage their constituents with compelling experiences and intelligent documents providing them with the ability to act upon information or tasks presented to them for improved and effective collaboration;

> Streamline and accelerate document-based processes so more work gets done;

Simplify the creation and deployment of compelling, relevant and actionable applications;

Augment existing enterprise infrastructures to deliver the next level of engagement with their stakeholders;

Implement solutions which adhere to security and regulatory compliance requirements;

Scale these solutions needs regardless of the size of their constituent populations; and

Leverage the Adobe Reader and Adobe Flash Player clients to reach people inside and outside of their organizations, and across all desktops and devices.

Although our solutions address the needs of a diverse set of enterprise customers, we focus primarily on key vertical industries such as financial services, government, manufacturing, life sciences and health care. For these customers, we offer comprehensive, scalable, secure and reliable server products and tools to develop applications tailored to their specific information and business process requirements.

Adobe LiveCycle Enterprise Suite ("ES"), newly released in mid-2007, brings together more closely Adobe PDF and Adobe Flash technologies to provide capabilities which allow businesses and enterprises to more effectively engage customers, constituents, partners and employees in key business processes. LiveCycle ES software is an integrated J2EE server solution that blends electronic forms, process management, document security and document generation to help create and deliver rich and engaging applications that reduce paperwork, accelerate decision-making and help ensure regulatory compliance.

Key differentiating features in LiveCycle ES allow developers to build more engaging experiences that scale from paper forms to rich and interactive online applications, protect sensitive information and extend business processes that span from data capture through process orchestration to document generation inside and outside an organization's firewall.

A key enhancement in LiveCycle ES is the fusion of Adobe PDF with our Adobe Flex technologies which utilize the Flash file format and leverage our widely-used Flash Player technology. With Flex, developers are able to combine the rich user interface of desktop software with the reach and ease of deployment of the Web, and the processing power of desktop computers and mobile devices. This combination enables the delivery of more complex interactions than are currently supported by the Web browser model. Flex applications extend the server-based object model to client systems, improving interactivity by eliminating the constant page refreshes and context switches that users frequently experience. As a result, Flex applications enable organizations to provide users with a dramatically improved experience that supports the manipulation of data and information in ways that are impractical in a traditional browser-based environment.

Sample uses of Adobe Flex applications to streamline business processes within LiveCycle include the following:

Form Guides Form Guides are Adobe Flex based wizard-like panels that help guide users through a data capture experience. Form guides can dynamically change and adapt based on input data to ensure only relevant and accurate data is captured. These rich and engaging experiences help reduce transaction abandonment rates that are prevalent with more complex data collection interfaces;

LiveCycle Workspace ES LiveCycle Workspace provides an intuitive and responsive process dashboard that allows participants in business processes to track, complete, delegate and monitor tasks. Created as a set of reusable Adobe Flex components, LiveCycle Workspace enables organizations to customize process dashboards for specific end user roles to optimize productivity; and

Process and data integration With Adobe Flex, businesses can consolidate data and information, and align processes to meet the unique needs of internal and external users. Automated process and

data integration can increase accuracy, improve efficiency and enhance customer service through faster response times.

To build and deliver enterprise-class RIAs, the following components are required:

Adobe LiveCycle Data Services ES an application that acts as the application and services intermediary between LiveCycle RIA applications and the existing enterprise environment and/or Web services; easily integrating with existing enterprise application servers, and leveraging existing resources and policies for functions such as deployment, session management and security;

Industry-standard Integrated Development Environment ("IDE") Flex applications can be built and tested using Adobe Flex Builder or a third-party IDE such as Borland JBuilder, Microsoft Visual Studio and others; and

Adobe Flash Player client The Adobe Flash Player client runtime application provides the user interface to Flex applications.

The other primary component of our LiveCycle ES solutions utilizes Adobe PDF documents which interact with core business applications and integrate information contained in those documents into business processes. In addition to capturing the necessary fidelity for electronic forms, Adobe PDF documents are "intelligent" they retain the best characteristics of paper documents, such as a familiar look, but add powerful business logic capabilities such as data calculation and validation and automated routing instructions. In addition, arbitrary data (including XML-based data) can be embedded inside of intelligent PDF documents for use or access in a business process. These features allow for more efficient interaction with enterprise applications while still providing the ability for people to manually access and interact with the data when necessary.

Our LiveCycle ES products leverage our Adobe Reader software with more than 500 million distributed copies of Adobe Reader, we have created a platform for extending high value business processes to a wide variety of end users. Adobe Reader is available on the most common operating system platforms free of charge, including Microsoft Windows, Apple Macintosh, Linux, various Unix-based platforms, and portable device systems such as Palm OS, Pocket PC and the Symbian operating system for cellular phones. As a universal client, Adobe Reader enables users inside and outside the firewall to interact with intelligent PDF documents on most platforms, including desktops, laptops, PDAs, mobile phones and kiosks, regardless of the application used to author the document.

Enterprise Business Process Business Summary

In fiscal 2007, we generated record revenue in our enterprise and developer business with Adobe LiveCycle as we continued to achieve strong adoption in targeted markets such as government and financial services. Our integration with other software vendors' platforms, especially those from SAP AG, helped to further drive adoption during the year as did adoption of Adobe PDF and Adobe server technologies in markets like insurance and life sciences. With our Adobe Flex solutions, we also achieved strong revenue growth and adoption in key targeted markets during the year.

Enterprise Business Process Strategy

In fiscal 2008, we will continue to focus on offering more complete enterprise server-based solutions targeting the document and RIA needs of governments and enterprises. We wish to help these customers develop and deliver self-service and assisted-service Web-based applications that blend rich user interfaces and documents with data capture, document collaboration and document generation capabilities that are easy to use. We strive to provide solutions which are customer-centric and help the constituents of our customers work together on complex processes and bridge the digital and paper-based environments, and do so by providing capabilities that are accessible by anyone, anywhere and on any Web-connected device. We intend to provide such solutions directly through our consulting services organization, as well as

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together with software partners such as SAP AG, and through global systems integrators we partner with that deliver comprehensive solutions to their customers.

We will continue to focus our go-to-market efforts on markets such as financial services, government, manufacturing, and life sciences and work to augment our sales model to include more systems integrator partners. We will also work to enhance our solutions offerings through investments in new software as a service capabilities for our enterprise server product family.

Enterprise and Developer Solutions Products

Adobe LiveCycle Data Services ES   provides enterprise connectivity and data management capabilities for advanced Flex RIAs. LiveCycle Data Services runs on J2EE application servers and provides messaging, high performance data connectivity and advanced data management that integrate Flex based RIAs into enterprise infrastructure including Web services, remote Java objects and real-time data and messaging systems.

Adobe LiveCycle Designer ES   a desktop software application which simplifies the creation and maintenance of intelligent XML based forms for deployment as Adobe PDF forms, HTML applications and Flash based RIAs; provides an intuitive, graphical design tool for creating XML templates that look exactly as the author intended, and previewing them before deployment; it also simplifies adding intelligence to documents, such as business and routing logic, and binding form fields to arbitrary XML schemes for seamless integration with enterprise applications.

Adobe LiveCycle Forms ES   offers a range of solutions for deploying intelligent forms that can be completed online or offline, across diverse platforms and devices; identifies a user's environment to deliver the richest form-filling capabilities supported and integrates with enterprise applications to pre-populate form fields, save captured data and initiate data-driven workflows.

Adobe LiveCycle Barcoded Forms ES   enables organizations to accurately capture user-supplied information from fill-and-print paper forms by using dynamic 2D barcodes; barcodes are initially set up through creation of the form with Adobe's Designer application; after the form is printed, signed and returned by users of the form, the barcode on the form is scanned and decoded, and form data obtained from the barcode is routed to the appropriate enterprise application through Adobe's LiveCycle server products.

Adobe LiveCycle Digital Signatures ES   a server-based software application that helps organizations automate the processing of electronic documents by providing batch-based capabilities to digitally sign and certify Adobe PDF files, validate digital signatures and encrypt/decrypt Adobe PDF documents; safeguards information when it leaves a company's network and integrates with existing public key infrastructures.

Adobe LiveCycle Rights Management ES   a server-based software application that helps organizations manage information access securely with dynamic, persistent document control; allows for access control and auditing of Adobe PDF, Microsoft Word, Microsoft Excel and CATIA CAD document usage inside or outside the firewall, online or offline and across multiple document platforms; lets organizations know when a document has been viewed, printed or altered and restricts access so that only intended recipients can open, use and forward a document; allows for previously granted document permissions and access to be revoked; leverages Adobe Acrobat and Adobe Reader and other client plug-in software to author and view protected documents.

Adobe LiveCycle Reader Extensions ES   a server-based software application which lets enterprises easily share interactive Adobe PDF files with external parties   without requiring recipients of the documents to purchase Acrobat software that normally would be necessary to interact with the Adobe PDF files they receive; it unlocks features on an individual Adobe PDF document so that when such a file is opened in the free Adobe Reader, users have access to tools that normally would not be available in Adobe

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Reader, such as reviewing and commenting functions, digital signatures to electronically sign PDF documents and the ability to fill in, submit and save electronic documents locally.

Adobe LiveCycle PDF Generator ES offers server-based conversion of native PostScript, text, image formats, standard office formats and technical drawing formats into Adobe PDF files; integrates with other LiveCycle products that apply digital rights management, document assembly and process management to converted documents in an automated fashion; generates Adobe PDF files that comply with the new PDF/A specification for long-term document archives.

Adobe LiveCycle Process Management ES a server-based process management application that allows organizations to design and model business processes, integrate processes to core business systems and deploy processes with intelligent documents and RIAs. Process Management includes a comprehensive business activity monitoring capability to provide enhanced visibility into the performance and efficiency of automated business processes, and the LiveCycle Workspace ES user interface.

Adobe LiveCycle Production Print ES a server-based, high volume output management solution that allows organizations to create personalized transactional documents such as statements, contracts, letters, packing slips or welcome kits; generates documents dynamically by merging data from multiple back-end systems with pre-designed templates and output documents in a wide range of print or electronic formats to help deliver multi-channel communications; the technology is licensed from Streamserve and sold by Adobe.

Adobe Central Pro Output Server a server-based software application for document generation that allows organizations to create personalized, customer-facing documents from any data source including legacy, line-of-business, ERP or CRM applications; merges data with an electronic document template using a powerful processing engine to dynamically generate electronic documents such as purchase orders, invoices, statements and checks for delivery via Adobe PDF, the Web, e-mail, fax or print; works with Adobe Output Designer which is a companion tool used to create sophisticated document templates.

Adobe Output Designer a design tool that allows users to create electronic document templates for use with Adobe solutions for document generation; aids in the creation of electronic documents that exactly replicate existing paper documents.

Adobe Output Pak for mySAP.com a SAP-certified server-based software application for document generation that enables organizations to optimize their investment in their SAP solution by creating personalized, professional-looking, customer-facing documents; provides an easy, fast and cost-effective way to create and maintain documents for the SAP environment; integrates directly with an SAP system to extract information which is merged with a document template that defines the layout and formatting of the document; output can be in a variety of formats, including Adobe PDF, print, fax, e-mail and the Web.

Adobe Web Output Pak a server-based software application for document generation; creates documents in PDF and HTML for presentation on the Web and in Wireless Markup Language for presentation to a wireless device; allows users to personalize and control the look of documents based on the data the documents contain.

Mobile and Device Solutions Segment

Mobile and Device Solutions Market Opportunity

As hundreds of millions of people around the world adopt Internet-connected hand-held phones and devices as a means to communicate, collaborate and entertain, as well as consumer electronic devices such as digital cameras, game consoles, music players and electronic educational toys, we believe a significant opportunity exists to offer solutions for these devices which provide for the creation and delivery of rich content, user interfaces and data services which allow users to engage with information more easily and effectively.

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Our strategy in addressing the Mobile and Device Solutions market is to license Adobe mobile solutions, including Adobe Flash Player, Adobe Reader LE and Adobe Flash Cast, to device manufacturers and telecommunications carriers that embed our technology on their platforms, enabling them to provide multimedia content, documents and services to their customers. As Flash Player and Adobe Reader technology penetrates digital devices and platforms, millions of developers will be able to use our content creation products to create engaging consumer content and rich mobile business applications.

To support the delivery of content and services in these millions of devices, we offer client-server solutions which leverage the broad deployment of our Flash Player and Adobe Reader technologies. Flash Cast, the first of these service delivery solutions, and the newly developed Adobe Flash Home solution consists of client software built upon a new Adobe Mobile Client runtime technology, as well as server technology that manages the content being delivered to the mobile phone. Just as other Adobe solutions such as Acrobat and Acrobat Connect are built upon our technology platform, we see market opportunities to bring similar solutions to the mobile and device ecosystems.

Mobile and Device Solutions Business Summary

In fiscal 2007, despite the loss of deferred revenue due to purchase accounting adjustments made with the integration of Macromedia at the beginning of fiscal 2006, we achieved record revenue results and strong unit adoption of our client software on mobile and consumer electronic devices. As of October, 2007, our Flash Lite client has been installed on more than 300 million devices worldwide on over 430 different mobile handset models and over 140 different device models. This success has been driven by hardware OEM relationships with companies such as Nokia, Sony/Ericsson, LG Electronics, Motorola and Samsung.

In addition to key mobile OEM relationships we have established, we provide Flash Lite for Qualcomm BREW on the Verizon network. This relationship serves to broaden the Flash Lite ecosystem in the United States, driven by the ability for Verizon subscribers to view Flash based content on their BREW enabled handsets.

During the year, we also achieved strong unit adoption of our Flash Lite client on consumer electronics devices. Customers have licensed our Flash Lite for distribution on devices such as the Nintendo Wii and the Sony PlayStation Portable and PlayStation 3 devices.

Beyond client-based revenue, we have increased traction with our server-based solution called Adobe Flash Cast which provides data-based services that major wireless carriers such as NTT DoCoMo offer their subscribers. In Japan, more than 13.9 million NTT DoCoMo subscribers have signed up for a Flash Cast based service. To broaden the penetration of Flash Cast based services globally, in fiscal 2007 we announced relationships with Verizon (North America), Telenor (Europe) and Chunghua Telecom (Taiwan) to deliver Flash Cast based content services to their millions of subscribers. These relationships are in the various stages of trials and network certification. We have also introduced a new solution, Flash Home, built upon the same client-server architecture that is in the early stages of marketing and business development.

Mobile and Device Solutions Strategy

In fiscal 2008, we intend to continue our focus on client-based OEM revenue from our mobile and device hardware customers to drive revenue growth in our business. We also intend to deliver key new releases of client and server products. We intend to work closely with carriers in key ecosystems to complete launches of our Flash Cast based services and to leverage and extend our current offerings to them. Geographically, we look to expand our presence in markets such as Europe, Japan, China and the United States. Our expansion will be driven by our own efforts, as well as those of key systems integration,

distribution and content partners that we have already signed agreements with, or those who we intend to partner with.

Mobile and Device Solutions Products

Adobe Flash Cast an offline portal solution that delivers highly personalized, easy-to-discover data services that are viewed as "channels of content" from a mobile handset; built using the same client-server system as Flash Home, Flash Cast enables operators to deliver an engaging, branded portal experience that can integrated with the home screen.

Adobe Flash Lite a version of the Flash Player that helps mobile and consumer device manufacturers differentiate their products by delivering Web based Flash content as well as video and interactive content to a broad range of devices.

Adobe Flash Home an active, home screen solution to deliver rich, dynamic home screens consistently across a broad range of devices; built as a client-server system, Flash Home combines customizable home screens with live data services to provide subscribers with personalized and engaging experiences.

Adobe Mobile Client a new version of the mobile runtime that helps mobile and consumer device manufacturers differentiate their low-end, mass market devices with video and interactive content as well as Flash based user interfaces. This new runtime is part of our Adobe Flash Home and Adobe Flash Cast solutions.

Adobe Reader LE a version of the Adobe Reader specifically developed for mobile phones that renders PDF documents on small-sized devices.

Other Segment

Our Other business segment contains several of our products and services which address market opportunities ranging from the diverse publishing needs of technical and business publishing, to our legacy type and OEM printing businesses, to new strategic opportunities such as developer tools and OEM revenue generated with our technology platform solutions which includes the Adobe Reader and Adobe Flash Player clients, and our new Adobe AIR client. These opportunities, and the products we offer to address them, are reviewed below in the following categories: Platform, OEM PostScript, and Print Publishing (formerly called Print and Classic Publishing).

Platform Opportunity and Strategy

Central to our long-term strategy is our technology platform which enables the development of products and solutions that dramatically improves how businesses engage with their customers. While our technology platform encompasses products and technologies created across all of Adobe's segments, the Platform Business Unit focuses on the development and delivery of our developer solutions such as ColdFusion and Flex Builder, and on technology platform client and developer technologies, including Adobe Flash Player and Adobe AIR. These solutions ensure reliable, secure and rich application experiences across the broadest range of browsers, operating systems and devices.

A key long-term focus to broadening the reach and viability of our technology platform is the development of a new cross-platform client named Adobe AIR. Based on Flash, PDF and HTML technologies, Adobe AIR enables the creation of Web-enabled desktop applications that run outside of a Web browser. Adobe AIR based applications extend today's Web browser-based applications to have the power and utility of desktop applications with capabilities such as access to the local file system, and the ability to work offline and then synchronize data when the application has online access again. Adobe AIR developers of Adobe AIR applications are able to create persistent, branded desktop experiences which