

ADOBE SYSTEMS INC  
Form 10-K  
January 22, 2013

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K

(Mark One)

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

For the fiscal year ended November 30, 2012

or

☐ 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)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

77-0019522  
(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

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

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

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 ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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. ☒

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Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
----------------------------------------------------------------	-----------------------------------------------	----------------------------------------------------------------------------------------------------	-------------------------------------------------------

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒  
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, 2012, the last business day of the registrant’s most recently completed second fiscal quarter, was \$12,526,183,922 (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 January 18, 2013, 498,790,943 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 2013 Annual Meeting of Stockholders (the “Proxy Statement”), to be filed within 120 days of the end of the fiscal year ended November 30, 2012, 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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ADOBE SYSTEMS INCORPORATED  
FORM 10-K

TABLE OF CONTENTS

	Page No.
<b>PART I</b>	
Item 1. Business	<u>3</u>
Item 1A. Risk Factors	<u>38</u>
Item 1B. Unresolved Staff Comments	<u>48</u>
Item 2. Properties	<u>49</u>
Item 3. Legal Proceedings	<u>51</u>
Item 4. Mine Safety Disclosures	<u>51</u>
<b>PART II</b>	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<u>52</u>
Item 6. Selected Financial Data	<u>54</u>
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>55</u>
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	<u>75</u>
Item 8. Financial Statements and Supplementary Data	<u>78</u>
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	<u>123</u>
Item 9A. Controls and Procedures	<u>123</u>
Item 9B. Other Information	<u>123</u>
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance	<u>123</u>
Item 11. Executive Compensation	<u>123</u>
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>123</u>
Item 13. Certain Relationships and Related Transactions, and Director Independence	<u>124</u>
Item 14. Principal Accounting Fees and Services	<u>124</u>
<b>PART IV</b>	
Item 15. Exhibits, Financial Statement Schedules	<u>124</u>
Signatures	<u>125</u>
Summary of Trademarks	<u>127</u>
Index to Exhibits	<u>129</u>

## Table of Contents

### 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 the section entitled “Risk Factors” in Part I, Item 1A of this report. You should carefully review the risks described herein and in other documents we file from time to time with the Securities and Exchange Commission (“the SEC”), including our Quarterly Reports on Form 10-Q to be filed in 2013. When used in this report, the words “will,” “expects,” “could,” “would,” “may,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “targets,” “estimates,” “looks for,” “looks to,” “continues” 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 software and services used by creative professionals, marketers, knowledge workers, application developers, enterprises and consumers for creating, managing, delivering, measuring, optimizing and engaging with compelling content and experiences across multiple operating systems, devices and media. We market and license our software directly to enterprise customers through our sales force and to end users through app stores and our own website at [www.adobe.com](http://www.adobe.com). We also distribute our products through a network of distributors, value-added resellers (“VARs”), systems integrators, independent software vendors (“ISVs”), retailers and original equipment manufacturers (“OEMs”). In addition, we license our technology to hardware manufacturers, software developers and service providers for use in their products and solutions. We offer some of our products via a Software-as-a-Service (“SaaS”) model (also known as a hosted or “cloud-based” model) as well as through term subscription and pay-per-use models. Our software runs on personal computers (“PCs”) and server-based computers, as well as on smartphones, tablets and other devices, depending on the product. We have operations in the Americas, Europe, Middle East and Africa (“EMEA”) and Asia-Pacific (“APAC”). See Note 18 of our Notes to Consolidated Financial Statements for further geographical information.

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 website at [www.adobe.com](http://www.adobe.com). Investors can obtain copies of our SEC filings from this site free of charge, as well as from the SEC website at [www.sec.gov](http://www.sec.gov). The information posted to our website is not incorporated into this Annual Report on Form 10-K.

#### BUSINESS OVERVIEW

For 30 years, innovation in Adobe software and technologies has transformed how individuals, businesses and governments communicate and interact with their constituents. Across the markets we serve, Adobe helps its customers create and deliver the most compelling content and interactive experiences in a streamlined workflow, and optimize those experiences and marketing activities for greater return on investment. Our solutions turn ordinary interactions into compelling and valuable digital experiences, across media and devices, anywhere, anytime.

While we continue to market and license a broad portfolio of products and solutions, we focus our greatest business investment in two strategic growth areas:

Digital Media—providing tools, services and solutions that enable individuals, small businesses and enterprises to create, publish, promote and monetize their content anywhere. Our customers include traditional content creators, web designers, app developers and digital media professionals, as well as their management in marketing departments and agencies, companies and publishers. This is the core of what we have delivered for over 20 years, but we are evolving rapidly to provide these customers with a more complete and integrated workflow across the variety of new devices,

formats and business models that continue to emerge.

Digital Marketing—providing solutions and services for how digital advertising and marketing campaigns are created, managed, executed, measured and optimized. Our customers include digital marketers, advertisers, publishers, merchandisers, web analysts, chief marketing officers and chief revenue officers. We process over a trillion web transactions a quarter via SaaS, providing our customers with analytics, social, targeting, media optimization and experience management solutions This

## Table of Contents

complements our digital media franchise, bringing together the art of creating content with monetization and the science of measuring and optimizing it, enabling our customers to achieve optimal business outcomes.

To capitalize on the potential in these two market areas, we made several significant changes in key areas of our business during the past two years. We have made investments to increase the deployment of some of our products through new SaaS models, and to offer a new subscription model for our creative products. We believe these business model changes allow us to target new users, as well as increase the amount of recurring revenue we generate as a percent of our total revenue, thus creating the potential for our business to be more predictable.

We have also invested in the development of new products that address emerging customer needs in these two market areas and represent new revenue sources. In addition, we made several acquisitions during the past two years to broaden the scope of our solutions. We believe the new products we are bringing to market, combined with products and technologies we have acquired, will make our Digital Media and Digital Marketing solutions more compelling to our customers.

While we have increased our investments in certain products areas, we have also reduced our focus on certain products. The cost savings resulting from the reduced focus on certain product areas has been redeployed as we continue to invest into research and development and sales and marketing to drive higher growth potential in our two focus areas.

Because of this transformation we have undertaken, as we enter fiscal year 2013 we believe we are uniquely positioned to be a leader in both the Digital Media and Digital Marketing categories where our mission to change the world through digital experiences resonates well with customers.

### PRODUCTS AND SERVICES OVERVIEW

This overview is organized by our three reportable segments: Digital Media, Digital Marketing, and Print and Publishing. For each segment, we provide an explanation of our market opportunities, a review of our segment results, and a discussion of our strategies to address our market opportunities in fiscal 2013 and beyond. See Note 18 of our Notes to Consolidated Financial Statements for further segment information.

#### Digital Media Segment

##### Digital Media Opportunity

We believe we are at a key inflection point in the history of digital communications. A convergence of major trends is occurring, which in turn is driving changes in consumer behavior and expectations. These trends include the rise in use of smartphones and tablets, increased internet access speeds, new business models driven by online commerce and app stores, the increase in media and entertainment made available online, the impact of online social communities, and software delivery transitioning from prior PC delivery models to cloud-based services.

These trends and changes are having a profound impact on our customers, who are interacting with content on a daily basis and want to regularly share and collaborate with colleagues and clients. Adobe customers, large and small, are rethinking their online presence, addressing concerns such as how to make a site more dynamic, how to manage visitors from both PCs and mobile devices, whether to invest in web browser-based applications or create individual mobile apps, and how to transition from legacy content delivery methods to new models which offer new revenue streams. For our customers, these challenges create a great deal of complexity in their workflows and cost structures. For Adobe, these challenges and complexities our customers face are expanding the size of the markets we can target. We realigned our company entering fiscal 2012 and created our Digital Media business unit to address these opportunities as we believed these market conditions presented significant opportunities for Adobe to rapidly deliver product innovation, access new market segments, increase engagement with our customers, transition our business to promote a recurring revenue model, and accelerate our revenue growth. Our goal is to be the leading provider of tools and services that allow individuals, small businesses and enterprises to create, publish, promote and monetize their content anywhere.

The flagship of our Digital Media business is Adobe Creative Cloud, which is an ongoing membership service that lets our customers download and install the latest version of any of our Adobe Creative Suite desktop products, and other creative software like Adobe Photoshop Lightroom and new HTML version 5 (“HTML5”) based products and services. Creative Cloud members also get online services to sync, store, and share files, participate in creative communities, receive product training, as well as publish digital magazines to the iPad, develop mobile applications,

and create and manage websites. We believe Creative Cloud is redefining the creative process and becoming a destination place where our creative customers can obtain everything they need to create, collaborate on and deliver engaging digital content.

## Table of Contents

The cornerstone of Creative Cloud is our Creative Suite family of products. Consisting of sixteen individual products and four suites that contain different combinations of these products, we focus on the needs of creative professional customers, which include graphic designers, production artists, web designers and developers, user interface designers, writers, videographers, motion graphic artists, prepress professionals, video game developers, mobile application developers, students and administrators. They use and rely on our solutions for publishing, web design and development, video and animation production, mobile app and gaming development and document creation and collaboration. They work in businesses ranging from large publishers, media companies and global enterprises, to smaller design agencies, small and medium-sized businesses and individual freelancers.

Our creative products are used by creative professionals to create much of the printed and on-line information people see, read and interact with every day, including newspapers, magazines, websites, mobile apps, 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, educators, hobbyists and high end consumers also use our creative products to create and deliver content that is of professional level quality.

We believe the innovation we deliver in the tools and solutions our customers use enables the future of digital media. Our creative solutions are mission-critical to customers such as publishers, advertisers and media companies; they rely on Adobe tools and technologies to create highly compelling content, deliver it across diverse media and devices, and then optimize it through systematic targeting and measurement. For example:

Publishers around the world are striving to embrace the digital age to build distinctive brands, develop sustainable business strategies, achieve greater profitability, and deliver optimized content to fragmented audiences on an expanding array of smartphones, tablets, e-readers, and other devices. Their audiences seek compelling, media-rich experiences, wherever they go, using their preferred devices. The advent of app stores is enabling publishers to reach these audiences in easy, more effective and affordable ways, through the delivery of apps and content via online subscription services to their readers and customers.

Advertisers face an ever-shifting media landscape. Traditional media are giving way to the emergence of new digital channels such as mobile devices and social networks. Customers have greater choice in where they go for their preferred brands, making it harder for marketers to keep audiences engaged. Successful advertising increasingly requires compelling content and greater focus on data and analytics than ever before in order to optimize advertising for improved targeting and higher returns.

The challenges facing customers such as these not only exist in how they create and deliver their content, but also in how they manage, measure and optimize their content. Adobe's value proposition extends beyond our historical focus on content creation to other critical aspects of our customers' workflow, with how we can integrate the capabilities of our analytics and web optimization solutions, as well as our other digital marketing solutions. These are discussed later in the "Digital Marketing Opportunity" section.

In the second quarter of fiscal 2011, we released CS5.5. At that time we also introduced a monthly subscription offering. This lower upfront fee, as opposed to the higher upfront perpetual license fee, provides cost-sensitive new users access to our products, as well as enabled users of older versions of our products to migrate to the latest versions at a lower upfront cost. The subscription offering also enabled users to have immediate access to software updates and new innovations that we implemented in our creative products in between release dates of the products.

Given our success in attracting new and existing customers to our initial subscription offering, combined with our offering of cloud-based services as a means to deliver more value to our users, we announced Creative Cloud in October 2011 and in the second quarter of fiscal 2012, we delivered the initial release of our new Creative Cloud subscription offering. As part of Creative Cloud, we also delivered Creative Suite 6 ("CS6"), which is the newest release of our creative toolset. CS6 provides numerous feature enhancements, particularly in the areas of mobile device content creation, website development with new HTML5 capabilities, digital imaging, digital publishing for tablets and product performance. Customers obtained CS6 capabilities through both our historical perpetual licensing model as well as through our new subscription-based model.



A key benefit of our Creative Cloud offering is the rapid delivery of additional products and product updates to subscribers as soon as these products and updates become available. Examples of additional value provided to customers through Creative Cloud since its initial release included the delivery of new features for Adobe Illustrator users, new enhancements for web designers and an updated version of Adobe Acrobat. In addition, new products and capabilities were made available to Creative Cloud subscribers that were not made available to licensees of the perpetual products. Adobe Lightroom, our popular image editing and photo management tool, was delivered as an additional enhancement to Creative Cloud subscribers in the summer of 2012, and new HTML5 content creation capabilities were delivered through the release of our new Adobe Edge Animate product and related

## Table of Contents

Edge Tools & Services to subscribers in September. These additional capabilities demonstrate our commitment to deliver ongoing value and capabilities as they become available and are needed by our customers.

We believe our Creative Cloud offering, marketed as a subscription model with attractive monthly pricing, will be a catalyst for revenue growth in the coming years. By increasing the value we provide to our core creative customers with Creative Cloud services, we anticipate we can grow our revenue per customer over time as they begin to use additional features available to them in the offering. We also believe the monthly pricing model will be attractive to users of older versions of our products who desire to use our latest releases and services, but who have not been willing to upgrade to newer versions due to their price sensitivity, and, therefore, will increase our revenue potential with them. Similarly, we anticipate we can drive significant new user adoption of our creative tools business over the next several years outside of our core creative professional targeted market because of the attractive monthly subscription pricing combined with the strong brand of our creative tools and the broad value proposition provided by our Creative Cloud offering.

In addition to a monthly subscription price that provides access to use of all of our latest creative tools and services, we also offer subscription pricing for Creative Cloud for some of our key point products, as well as for users in the education market. Similarly, we offer Creative Cloud for team and enterprise users. We believe the mix of these offerings will drive new user acquisition and increase our revenue over time.

The impact of this business model shift based on the product offering and the subscription pricing will affect the revenue and cash flow to Adobe. As customers make a shift from paying upfront for the use of our software in the perpetual model to the new subscription model where they pay over time, reported revenue and cash flow will be lower in the short term when compared to the historical perpetual model. However, over time we expect this business model transition will significantly increase our long-term revenue growth rate by (1) attracting new users, (2) keeping our user base current and (3) thereby driving higher average revenue per user. Additionally, our shift to a subscription model will increase the amount of our recurring revenue that is ratably reported, driven by broader Creative Cloud adoption over the next several years.

In addition to the shifts in how we develop, market and license our creative tools to our customers, we have also implemented several initiatives to create and drive new revenue streams in our Digital Media business. These initiatives include delivering advanced publishing services, enhancing the capabilities of our solutions to utilize new innovations in HTML5, delivering new touch-based apps to expand our content creation user base to mobile device owners, enhancing our video solutions and addressing the needs of the knowledge worker.

Adobe Digital Publishing Suite (“DPS”) is an online, hosted publishing solution that enables magazine and newspaper publishers to deliver engaging, branded reading experiences of their publications to an extensive array of mobile and tablet devices. Our Digital Publishing solution utilizes flexible e-commerce models to sell single issues and subscriptions directly to consumers through mobile marketplaces and app stores. Our customers can create and enhance content through integration with our CS6 tools to enable a complete workflow for the creation and delivery of content via our Content Viewer technology, which is utilized by users on tablets and smartphones. Analytics capabilities are built into these apps and are based on our Digital Marketing products. The analytics features enable publishers to measure and understand the use of the digital editions they deliver with our solutions, and more effectively monetize their digital edition apps with more relevant advertising.

In addition to the Enterprise version that publishers and large media companies use, we also offer Digital Publishing Single Edition, which can be used by other customers who want to publish their content as apps in app stores on an individual and ad hoc basis. Single Edition can be used by individuals to publish any type of publication to app stores, including research reports, catalogs, marketing materials and even more specific consumer-related content such as wedding photo albums. The combination of our different DPS offerings significantly increases our market opportunity to target anyone wanting to deliver a digital publication via app stores.

Adobe has long been an innovator in helping drive the HTML standards process and then delivering the best tools in the market to create content based on web standards. The ongoing evolution of new standards, including HTML5, and their adoption in popular browsers, become significant catalysts for revenue growth in our solutions. To address this opportunity, we are innovating across the spectrum of content creation, content delivery, and content display in browsers and mobile apps. Our innovation includes adding new capabilities to web standards such as HTML and CSS,

contributing technology to open source projects such as jQuery (an HTML and JavaScript library to assist with creating websites) and Webkit (the open source foundation for many popular web browsers such as Apple Safari and Google Chrome), and adding new features to products such as Adobe InDesign, Adobe Dreamweaver and the new Edge Tools & Services to enable our customers to utilize these innovations occurring in web browsers.

Our innovation with web standards also includes the creation and delivery of brand new products built on top of web standards to help our customers create engaging content leveraging the latest innovations in web browsers on PC and non-PC devices. In the fall of 2012 we announced the availability of Adobe Edge Tools & Services, including Adobe Edge Animate, Adobe

## Table of Contents

Edge Inspect (formerly codenamed “Shadow”), Adobe PhoneGap Build and Adobe Edge Web Fonts. We also previewed Adobe Edge Code and Adobe Edge Reflow. These powerful tools enable web designers and developers to build cutting-edge websites, digital content and mobile apps. For website development, we also provide Adobe Muse, which allows designers to design and publish websites without having to learn and write HTML5 code. Muse integrates with other Adobe tools and enables designers to easily publish their websites using our Business Catalyst web hosting service or any other hosting provider.

While we increase our investments in our solutions utilizing web standards, we also continue to innovate in our Adobe Flash technologies, including the Adobe Flash Player for PC-based browsers and Adobe AIR for packaging standalone applications for PCs and mobile devices. The broad reach and adoption of the newest versions of our Flash technologies on personal computers and for use with mobile devices allow our customers to deliver new and more engaging experiences using our tools and services. Going forward, we are primarily focused on enhancing the gaming and premium video delivery aspects of our Flash technology-based solutions.

Just as AIR and our Flash tools enable Flash technology-based applications to be packaged for mobile devices, PhoneGap and PhoneGap Build provide similar capabilities for applications built using web standards. Based on the open source PhoneGap framework, PhoneGap Build enables users to build cross-platform mobile applications using HTML5, CSS and JavaScript that run on popular mobile operating systems such as Android, iOS and BlackBerry OS. As millions of web developers and website designers look to build mobile apps to increase engagement with their constituents, we believe our AIR and PhoneGap solutions enable them to build cross-platform apps as well as reuse their existing browser-based content to deliver standalone apps on popular smartphones and tablets.

In 2011 we began delivering a series of content creation tools which run on tablets such as the Apple iPad. These apps and their features are discussed later in the “Digital Media—Touch App Products” section. The Adobe touch apps integrate with Creative Cloud enabling subscribers to move between the apps and Creative Suite software, and to view, access, share, and present creative work from anywhere.

Over the past several years, as consumers and advertisers demand more professional video online and on devices, media companies have an unprecedented opportunity to monetize their content and expand the reach of broadcast advertising. Because of this trend and the general explosion of video being created and delivered over the web, new opportunities have emerged for Adobe to significantly expand its market opportunity in areas such as video content creation, delivery, authentication and monetization.

Our products addressing these opportunities span across our Digital Media and Digital Marketing business segments. In Digital Media, our video content creation solutions are centered around our Adobe Premiere Pro and Adobe After Effects products, and the Creative Suite Production Premium that contains these products plus other capabilities. With our increased focus on these solutions over the past several years, we believe we are the leader in the market for providing video and special effects editing for creative professionals and professional videographers. We have invested resources to improve the performance and capabilities of our video authoring solutions, and as a result, have significantly grown our market share over the past several years in the professional video editing market.

With our growing leadership position in video authoring, we have worked closely with our customers to build a more complete workflow to meet their additional needs for delivering, measuring and monetizing their video assets. To enable collaborative video authoring environments, we also offer Adobe Anywhere for video. Adobe Anywhere allows customers to bring teams together, enabling them to better collaborate and create productions from virtually any location where there is network connectivity. With Adobe Anywhere, editors, visual effects artists, and other video professionals can use local or remote networks to simultaneously access, stream, and work with remotely stored media. Its collaborative capabilities are embedded directly in Adobe Premiere Pro, After Effects, and Adobe Prelude software, eliminating the need for team members to learn additional video software tools.

Our video content delivery, authentication and monetization opportunities, and our solutions which address them, are centered around an initiative we announced in 2012 called Project Primetime, and are discussed later in the section titled “Digital Marketing Opportunity.”

As part of our Digital Media focus, we also address the needs of knowledge worker customers: people working in document intensive industries, 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, attorneys, architects,

educators, engineers, graphic designers, insurance underwriters and stock analysts. These jobs typically require the sharing of information either as a static, published document or as a collaborative, interactive document.

## Table of Contents

Knowledge workers must create information and content from a variety of sources and 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, authenticated, or securely managed and controlled.

Document-based collaboration among knowledge workers can occur through face-to-face meetings, via phone calls, through e-mail or through web conferencing technologies. Knowledge workers who 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, 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 need capabilities such as those provided by Acrobat who have not yet licensed an Acrobat solution.

For several years, we have offered additional cloud-based Acrobat services to supplement the features of Acrobat and provide knowledge workers with centralized online file sharing and storage capabilities, as well as simple PDF creation and converting PDF to other file formats. With our new Acrobat XI software and its innovative cloud services that were released in the fourth quarter of fiscal 2012, we've significantly extended the capabilities of our solution. With Acrobat cloud services, users can take advantage of electronic document signing with Adobe EchoSign, complete form management with Adobe FormsCentral, and utilize other features such as Adobe SendNow and Acrobat.com.

With Adobe EchoSign, companies can expedite document and web contract approvals. Users of EchoSign can send an electronic document to others for signing, keep track of who's signed it, and store their signed contracts online. This enables faster, more efficient and cost-effective customer interaction. Our FormsCentral cloud service enables companies to create, distribute, and analyze forms without writing code. Templates can be used to build new forms, or users can design forms from scratch. Our FormsCentral solution collects all responses and helps customers share real-time results with their colleagues. SendNow enables customers to share large files more easily rather than using email attachments. Acrobat.com provides services to customers so they can store their documents online and have access to them from virtually anywhere using a computer or mobile device.

Combined, Acrobat and Acrobat cloud services increasingly provide more value to knowledge workers. The cloud services serve as additional value to Acrobat customers, thereby further entrenching the use of Acrobat and PDF as part of our customers' day-to-day businesses.

### Digital Media Business Summary

In the second quarter of fiscal 2012, we delivered CS6, the newest release of our creative toolset. CS6 provided numerous feature enhancements, particularly in the areas of mobile device content creation, website development with new HTML5 capabilities, digital imaging, digital publishing for tablets and product performance.

The launch of CS6 was also the cornerstone of our new Creative Cloud subscription offering, which was also delivered in the second quarter of fiscal 2012. Adoption of Creative Cloud subscriptions in the launch quarter exceeded our expectation as we believe the value of the new offering was attractive to both existing and new users of our creative tools. We also believe the low monthly payment options with Creative Cloud, as opposed to paying for

perpetual licenses up front, has attracted more price-sensitive customers to license our creative products, as well as migrate existing users to the newest release. In the subsequent third and fourth quarters of fiscal 2012, we achieved accelerated adoption of Creative Cloud. In each of these three quarters, the success of Creative Cloud subscription adoption adversely affected reported revenue as we recognize revenue associated with our subscription offerings ratably whereas revenue associated with our perpetual licenses is generally recognized at the time of initially licensing the products.

Our DPS solution achieved strong growth in fiscal 2012 based on broad adoption by magazine and newspaper publishers to deliver engaging, branded reading experiences of their publications to mobile and tablet devices. During the year, we continued

## Table of Contents

to innovate with DPS, leveraging new innovations in CS6 products such as Adobe InDesign, to help customers accelerate app delivery to their readers through app stores. In the Fall of 2012, we delivered an update to our Digital Publishing Single Edition solution and made it generally available to all Creative Cloud subscribers. This significantly broadened the use of our solution beyond mainstream publishers.

We drive our DPS revenue through the licensing of software that customers use to create and publish their apps. In addition, with our Enterprise version, we obtain revenue for each digital edition that is downloaded and delivered through our content delivery infrastructure. As of the end of fiscal 2012, we have over 1,450 DPS customers, reflecting the success and strong adoption of our solution. In addition, on average we deliver approximately 163,000 digital issues every day to users of iPads, Kindles and Android tablets, with more than 53 million digital editions delivered since March of 2011.

In the professional digital imaging market, we released new versions of Adobe Photoshop CS6, Adobe Photoshop CS6 Extended and Adobe Lightroom 4 during fiscal 2012. Ground-breaking features in Photoshop included new Content-Aware technologies, enhancements in image effects such as Blur Gallery and performance improvements based on updates to the Adobe Mercury Graphics Engine. Lightroom enhancements included refined technology for superior shadow and highlight processing, expanded management capabilities including enhanced DSLR video support and the ability to create photo books. To drive increased adoption of Lightroom, we also lowered the price of the product, which resulted in substantial unit and revenue growth during the year when compared to fiscal 2011. With our professional digital video authoring and content creation solutions, including Adobe Premiere Pro and After Effects, we continued to achieve strong market share and revenue growth during the year due to new CS6 product versions and strong execution by our sales and marketing teams to position Adobe as a leader in the overall digital video solutions category.

During the fourth quarter of fiscal 2012, we released version 11 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 11 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 Photoshop Elements and Premiere Elements to target hobbyists who desire both applications in one affordable package. Adoption of these new releases helped to drive year-over-year revenue growth in this category.

To help our customers create new content leveraging advancements in web standards, we deliver the Edge Tools & Services, which included Edge Animate, in the fall of 2012. Edge Animate is our new web motion and interaction design tool that allows designers to bring animated content to websites, using web standards like HTML5, JavaScript, and CSS3. We also delivered Adobe Muse, which enables designers to design and publish HTML websites without writing HTML code. Combined, we believe the customer adoption of these new tools as well as positive customer reactions to innovations we added to our existing web content creation tools such as Adobe Dreamweaver CS6, has caused the web community to embrace Adobe as a leading provider of HTML solutions for web content creation. During fiscal 2012, we advanced the capabilities of our Adobe Flash Player with several new releases. Flash Player is a cross-platform, browser-based application runtime that provides viewing of expressive applications, content, and videos across most browsers and PC operating systems. Key features that are driving adoption of Flash in markets such as gaming and premium video delivery include 3D accelerated graphics support, native 64-bit operating system support, improved software encoding for cameras and protected HTTP dynamic streaming. Adoption of Flash Player remained strong on PC platforms during fiscal 2012. Due to the frequent downloads of our client technologies such as Flash Player, we generate revenue through OEM relationships with companies where we include their technologies as part of the download offerings of our client technologies on PCs. In fiscal 2012, this download revenue grew when compared to fiscal 2011.

In fiscal 2012, we also broadened the reach of Adobe AIR, our cross-platform client technology. The AIR runtime enables developers to deploy standalone applications built with HTML, JavaScript, ActionScript, Flex, Flash Professional, and Adobe Flash Builder across platforms and devices—including Android, iOS devices, personal computers and televisions.



To capitalize on the increased use of smartphones and tablets, we released updates of our tablet applications which run on mobile devices, including Photoshop Touch, which is a popular application and available on devices running Google Android OS and Apple iOS. In addition, Adobe Revel provides users access to their entire photo library from their Apple devices, along with photo-processing features based on Lightroom. Both Photoshop Touch and Revel received positive reviews and achieved strong revenue growth during the year.

In the Document Services market, we achieved solid year-over-year growth during fiscal 2012. This performance was driven by continued, solid adoption of our Acrobat X release that initially launched in the fourth quarter of fiscal 2010. In the fourth quarter of fiscal 2012, we released Acrobat XI, the eleventh major version of our Acrobat family of products. Acrobat XI, the industry standard for PDF software, contains new and improved capabilities that feature complete PDF editing and export to

## Table of Contents

Microsoft PowerPoint; touch-friendly capabilities on tablets; and newly integrated cloud services, including sophisticated Web contracting with Adobe EchoSign and forms creation, data collection and analysis with Adobe FormsCentral. Acrobat XI additionally supports IT departments with seamless Microsoft Office and SharePoint integration, easy deployment, applications virtualization and robust application security. Our free Adobe Reader, used by hundreds of millions of people to view and interact with PDF documents, was also updated to deliver more features to users, and includes full support for non-PC devices such as iPhones, iPads and Android devices. Our EchoSign service, with its simplistic model that doesn't require scanning software, signature pads or digital certificates, is used to sign nearly one million contracts per month. In addition to making this service available to Acrobat XI users, we also integrated it with our Adobe Reader in fiscal 2012.

During the year, continued adoption of our Creative Suite and Creative Cloud products also contributed to broader adoption of Acrobat in the creative professional market. Utilization of Acrobat prepress, printing and collaboration functionality is a critical component of creative customer workflows. Acrobat Pro is included in several Creative Suite editions and in Creative Cloud membership, and these offerings were updated to include Acrobat XI when it was released in the fourth quarter of fiscal 2012.

### Digital Media Strategy

In fiscal 2013, we intend to implement strategies which will accelerate the adoption of our Creative Cloud subscription offering. This includes migrating existing users from their current perpetual licenses, as well as driving new customer adoption. Aspects of this strategy include increasing the value of Creative Cloud by delivering frequent product updates and enhancements to subscribers; using promotions to attract customers to the offering; expanding our go-to-market reach through referral affiliate models to reach new customers particularly in the small and medium business ("SMB") space; and utilizing Creative Cloud for teams and Creative Cloud for enterprise offerings to drive broad adoption with customers who license our software in volume.

As part of our Creative Cloud strategy, we also intend to streamline how customers learn about our offering, sign up to use it, and pay for it. We expect to accomplish these goals by utilizing our digital marketing solutions to drive awareness and customer conversion on our website. We believe Adobe.com will increasingly be the destination site where we engage individual and small business customers to sign up for and renew Creative Cloud subscriptions. We also will utilize channel partners such as corporate resellers to target mid-size creative customers with our Creative Cloud for teams offering, and our direct sales force to build relationships and drive adoption of our Creative Cloud for enterprise offering with our largest customers.

In digital imaging, we plan to broaden the adoption of our Photoshop Lightroom and Photoshop Elements products, and use our Revel product for tablets to increase awareness of our image editing and sharing solutions. In interactive development we will continue to advance the capabilities of our tools to deliver cutting-edge HTML5 capabilities with products such as Edge, while also investing in improving the capabilities of Adobe Flash in the PC-based gaming market.

In the coming year we also plan to continue to market the benefits of our Document Services 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 targeted vertical markets such as education, financial services, telecommunications and government, as well as expanding into emerging markets.

We also intend to enhance and build out the delivery of cloud-based document services to our Acrobat and Adobe Reader users. The release of Acrobat XI included newly integrated cloud services, including sophisticated web contracting with EchoSign and forms creation, data creation and analysis with FormsCentral. It also includes our SendNow feature which enables users to deliver large electronic files over the web with security and fidelity. With the integration of our cloud-based EchoSign solution with our Acrobat family of products, we intend to continue to promote its capabilities to millions of Acrobat users and hundreds of millions of Adobe Reader users. We believe that by substantially growing the awareness of Adobe EchoSign in the broader contract delivery and signing market, we can help our customers migrate away from paper-based overnight express mailing and adopt our solution, substantially growing our revenue with this business in the process.

Digital Marketing Segment

Digital Marketing Opportunity

Consumers today can interact with businesses across multiple channels and devices, and it is up to businesses to figure out how to best attract, engage, acquire and retain customers in a world where the reach and quality of experiences directly impact success. Marketing executives need to know that their investment is optimizing consumers' experiences and delivering the greatest return on our customers' marketing spend. Online marketing goals must map clearly to overarching business objectives, and

## Table of Contents

marketing executives are expected to demonstrate the success of their programs using solid metrics. In this environment, gleaning insight in real time across channels is essential.

We believe there is a significant opportunity to address these challenges and help customers transform their businesses. This market opportunity is accelerating as Chief Marketing Officers (“CMOs”), digital marketers, heads of digital, advertisers and publishers are managing spending budgets to migrate their marketing and advertising spend to digital media.

These users are faced with several major market trends, and their choices for how they address these challenges are creating broad opportunities for our Digital Marketing business:

### **Broad commercial utilization of the internet**

The internet has fundamentally altered the way businesses and consumers purchase and consume goods and services. It has also redefined many business processes and has created opportunities for new online businesses, as well as for existing offline businesses seeking to capitalize on online initiatives. Because of this, businesses are investing in innovative online initiatives to increase sales, improve customer service, enhance brand awareness, decrease time-to-market for their offerings, reduce fulfillment costs and increase operational efficiency.

We expect that the scope and scale of commercial internet usage will continue to increase. The roll-out of broadband and mobile networks, particularly in emerging geographic markets, will contribute to the growth of internet usage. Internet commerce should also continue to grow. Proliferation of online marketing and customer response channels, such as mobile, digital video and social networks, will continue to generate interactions that need to be measured, analyzed and optimized across channels.

### **Need to measure online business**

In order to make informed decisions about priorities and investments in online marketing and other commercial initiatives, we believe businesses require timely and accurate measurement of customer behavior. The proliferation of internet usage and the fact that nearly every user interaction on a website (or other digital medium such as mobile apps, set-top boxes, kiosks, point of sale systems or any IP connected device) can be captured by the owner of the website, or other digital medium, has resulted in the creation of an unprecedented amount of data about how a business' customers interact and transact business with it.

Businesses are increasingly realizing the benefit of using information gained from online and other digital customer interactions to improve functional areas, such as sales, customer service, product development, marketing, pricing, manufacturing and inventory management. The interactive and measurable nature of internet activity also enables businesses to determine how customers arrived at their online destinations, such as through paid search, a display ad or a social media website. It also enables businesses to determine which advertising mediums are yielding the greatest ROI, including whether visitors convert to customers once they have reached their destination site.

### **Opportunity to optimize and automate online business**

Measuring online activity and automating the capture and analysis of data are important for making informed business decisions. Businesses also need to leverage data to optimize the results of their online business activities. For example, businesses have historically measured the success of their online marketing programs by simple click-through rates or conversion rates, the latter being the percentage of click-through users who make a purchase or otherwise engage in the desired customer action during the online session. However, the effectiveness of online marketing can be optimized by analyzing and acting on deeper information, such as repeat visits, transactions generated, registrations, traffic pathways (various paths of online visitor traffic flow), time spent and quality of interaction (engagement), eventual conversion (desired customer action taken in subsequent visits) or success over time (lifetime value of customer) as well as comparing the relative effectiveness of different marketing channels (attribution).

Business success metrics can also vary based on the industry or vertical market—for example, media companies drive engagement to optimize subscriptions and online advertising revenue, whereas retailers and e-commerce companies focus on promotions and maximizing online purchases. Online businesses utilize a large and growing number of complex and diverse advertising and communication channels to market to customers, including display advertising, paid and natural search advertising, e-mail, social media marketing, affiliate marketing, blogs, podcasts, video, games, rich internet applications (“RIAs”) and comparison shopping engines, as well as traditional offline initiatives.

The emergence of multi-channel marketing initiatives, which combine traditional offline marketing initiatives such as television, print, magazine, newspapers, radio and catalog with online marketing initiatives, makes the measurement and analysis of online activity more challenging, but presents additional opportunities to optimize results.

## Table of Contents

For example, businesses want to measure and understand the impact of their advertising initiatives across all these channels, not only to determine how much credit should be given to a particular channel and to understand cross-promotional effectiveness, but more importantly to optimize their advertising spending and make adjustments in the way channels are utilized and align the amount of resources that are allocated to each of them.

### **Delivery of premium video through online channels**

Media companies face a shifting landscape as traditional media delivery evolves into multiple channels for media companies to deliver and monetize their content. As more premium video content and entertainment is delivered over the internet to PC, smartphone and tablet screens, as well as internet-connected TVs, media companies are looking to create new revenue streams through subscription services and ad-based revenue models to supplement their historical forms of revenue. This trend and the general explosion of video being created and delivered over the web is expanding the online video market opportunity to include fast growing areas such as video delivery, authentication and monetization.

To address the challenges and capitalize on the opportunities presented in the market trends above, CMOs, digital marketers, advertisers and publishers require new content architectures, new analytic systems, new media buying systems and optimization systems to increase the effectiveness of their engagement with customers.

Driving visitor traffic to websites, broadly defined as a customer's digital presence, including its traditional site, mobile site, pages and apps on social networks, and all other content that is distributed throughout the internet, was an early goal of digital marketing spend. This goal has broadened to include the need to measure and understand customer web traffic patterns and the effectiveness of their visitor acquisition efforts. Web analytics solutions have provided insight for digital marketers and web analysts that helps them optimize their online ad spending. Moving forward, the goals of digital marketers have evolved to include how websites and marketing campaigns can convert visitors to customers, and how these websites and marketing campaigns can be more personalized to drive better engagement and higher revenue.

Our Digital Marketing Business Unit targets this large and growing opportunity by providing comprehensive solutions that include analytics, social, targeting, media optimization and experience management solutions, and premium video delivery and monetization products, solutions and services. We deliver these capabilities through our Adobe Marketing Cloud, which is our umbrella digital marketing offering and was formerly branded as the Adobe Digital Marketing Suite.

Adobe Marketing Cloud is a collection of analytics, social, targeting, media optimization and experience management solutions and a real-time dashboard providing insight into the performance of online marketing initiatives. These capabilities empower organizations to make informed decisions and ensure the success of online marketing programs for both advertisers and publishers. Our digital marketing customers accomplish these goals with Adobe Marketing Cloud solutions which help them manage and optimize online, offline, digital and multi-channel business initiatives. Other key features of our Adobe Marketing Cloud include:

- Enabling digital marketers to align online marketing initiatives with overarching business objectives and demonstrate the success of online marketing programs using metrics;

- Managing, collecting, and bringing data together from multiple systems into a flexible, integrated platform;

- Providing real-time business intelligence through segmentation, dashboards and reports that managers can use to gain a complete picture of how consumers are interacting with the business;

Creating the ability to monetize and share data through audience optimization capabilities, publishers can quickly

- Identify audiences that match the profiles that advertisers are demanding-and maximize the value of their digital assets;

- Optimizing ad spend by maximizing the impact of a company's advertising spend across and within channels, including search, display, video, mobile, social media and other digitally connected forms of media, to yield the greatest returns;

- Delivering relevant and engaging digital content across channels that boosts key performance metrics, whether it is a customer purchase, engagement, a download, form completion, or other desired outcome; and

- Empowering organizations to re-platform their websites by enabling them to create, manage, distribute, and monetize content while optimizing the web, mobile, and social collaboration experience for their customers. More specifically,

organizations can enable the delivery of customer-facing web and mobile solutions by extending enterprise services beyond interactive applications, documents, and workflows to include personalization of content, rich media delivery

## Table of Contents

capabilities, mobile application delivery, social collaboration and deep integration into back-office systems such as e-commerce platforms.

In addition to CMOs and digital marketers, users of our Adobe Marketing Cloud solutions include marketing professionals such as search engine marketers, media managers, media buyers and marketing research analysts. Customers also include web content editors, web analysts and web marketing managers. These customers often are involved in workflows that utilize other Adobe products, such as our digital media tools and our video workflow and delivery technologies.

Given the market trends described above, we believe the combination of our Adobe Creative Cloud and Adobe Marketing Cloud solutions helps customers to more efficiently and effectively create, measure, analyze and optimize those experiences, creating an end-to-end workflow and feedback loop.

With our growing leadership position in video authoring, which is discussed in the “Digital Media Opportunity” section above, we have worked closely with our customers to build out a more complete workflow to meet their additional needs for delivering, measuring and monetizing their video assets. During fiscal 2012 we moved the management of our video content delivery, authentication and monetization solutions to our Digital Marketing business unit based on our goal of aligning these teams with our overall digital marketing focus.

For content delivery, we provide Adobe Media Server software, which helps premium content publishers deliver their HD quality video to the largest audience possible across any internet-connected device, with a streamlined workflow. The Adobe Media Server family has revolutionized media delivery with support for consistent, protected streaming on the widest array of devices—tablets, mobile devices, connected TVs, and desktops.

Our Adobe Pass solution enables the industry goal known as “TV Everywhere” and allows pay TV customers to enjoy content on their connected devices. Adobe Pass is licensed by media companies and verifies a user's entitlement to content simply and securely, allowing quick time to market, a more secure environment, and more readily accessible content.

Similarly, our Adobe Access (formerly Adobe Flash Access) software provides a scalable, efficient workflow to help customers deliver and protect premium video across desktops, mobile devices, and platforms, including iOS and Android. Adobe Access is also an UltraViolet approved Digital Rights Management (“DRM”) technology. It extends audience reach and enables a variety of business models for media companies, including rental, subscription, and electronic sell-through.

Our Adobe Auditude solution is a video advertising platform that powers the video advertising experience for Adobe customers such as major media companies. With Auditude, advertisers can leverage professional TV-like video ad inventory for advertising in on-demand video delivery, live digital events and full episode video content. The solution is further enhanced with rich analytics, enabling our customers with robust ad serving and optimization capabilities that maximize the value of video content on any device.

In January of 2012 we introduced Project Primetime, which is a unified, end-to-end video platform that helps media companies achieve broadcast audience reach, lower their operating costs, and boost revenue from ad sales. Project Primetime links Adobe streaming, DRM, ad serving, audience management, analytics, and optimization technologies that are available in our Media Server, Adobe Access, Auditude and other digital marketing offerings.

Our success in these areas has enabled our entry into the video advertising market. Our Adobe Video Advertising solution has become a central source for broadcast and professional video inventory. With a focus on premium television-quality video, we help customers deliver high quality ad placements in their online video delivery. Adobe Video Advertising offers a TV-like experience with true commercial breaks during live sports, music, and news programs as well as during full episode viewing from our premium content partners. Our solution leverages our digital marketing products such as Adobe AudienceManager, and enables the use of premium ads with innovative ad executions and TV-like ad insertion within live, simulcast, and on-demand video.

### Digital Marketing Business Summary

Our Digital Marketing segment contains revenue from multiple product families, including our digital marketing products and solutions, as well as legacy enterprise software offerings. As we exited fiscal 2012 we rebranded our Digital Marketing Suite to be called Adobe Marketing Cloud, and organized our product portfolio into five key solutions—Analytics, Target, Social, Media Optimizer, Experience Manager—containing multiple products to address



specific marketing opportunities. In addition, we consider Video to be an emerging solution in our Adobe Marketing Cloud.

In fiscal 2012, we achieved strong year-over-year revenue growth with our Adobe Marketing Cloud products and solutions. Our acquisition of Efficient Frontier in the first quarter of fiscal 2012 helped to drive revenue growth during the year. In the fall of 2012 we rebranded Efficient Frontier as Adobe AdLens.

## Table of Contents

Driving the growth with our Adobe Marketing Cloud product family was continued adoption of Adobe SiteCatalyst and our Adobe CQ5 Web Experience Management (“WEM”) solution now known as Experience Manager. With SiteCatalyst we help our customers track more than six trillion transactions per year in a hosted environment around the world. An increasing percentage of these transactions are from non-PC devices including tablets and smartphones. Our market-leading Experience Manager solution combines Web Content Management, Digital Asset Management (“DAM”) and social collaboration offerings, and enabled our sales force to target organizations that need to transform their websites by enabling them to create, manage, distribute, and monetize content while optimizing the web, mobile, and social collaboration experience for their customers.

In the online video and rich media delivery market, we continued our momentum in the industry by achieving strong customer adoption and revenue growth with our video solutions. In the first quarter of fiscal 2012, we unveiled Project Primetime, the industry's first fully integrated video technology platform. Project Primetime enables smooth, TV-like experiences for ad-supported videos across Web-connected devices. This new platform delivers premium video and ad content consistently across all major platforms, including Apple iOS, Google Android, desktop operating systems and connected TVs. Our solution creates a single, end-to-end workflow that interconnects our streaming technologies and content protection based on Adobe Media Server, authentication capabilities using Adobe Pass, analytics based on our digital marketing web analytics capabilities, and ad delivery and optimization with our Auditude video advertising platform. This solution enables premium video providers to give customers a superior viewing experience through seamless dynamic ad insertion into any content type, whether linear, live or on-demand across Web-connected devices, and was integral in many global media companies making the 2012 Olympic games available to mobile and tablet users.

In late fiscal 2011 we announced we would narrow the focus of our Adobe LiveCycle and Adobe Connect product families towards the government and financial services markets. At that time we also announced we expected revenue in these product areas to decline, and in fiscal 2012 combined revenue for LiveCycle and Adobe Connect did decline. However, the extent of the revenue decline was less than we targeted for the year, due to continued solid demand for these products.

### Digital Marketing Strategy

In fiscal 2013, we plan to build upon the momentum we achieved in fiscal 2012 by aligning our digital marketing focus with Adobe Marketing Cloud around five key solutions:

- Adobe Analytics—combines the power of actionable analytics and audience segmentation with the distributed value of reporting and sharing of key business analysis and connects it for data driven marketing. This solution includes our DataWarehouse, Adobe Discover, Adobe Genesis, Adobe Insight, Adobe ReportBuilder, SiteCatalyst and Adobe TagManager products.
  - Adobe Experience Manager—a web content management platform that enables organizations to deliver carefully tailored customer experiences across web and mobile channels. This solution is based on our WEM offering.
  - Adobe Media Optimizer—combines best of breed portfolio and rules based ad management with intelligent campaign forecasting and targeted ad delivery for data optimized advertising. This solution includes our AdLens and Adobe AudienceManager products, and analytics capabilities from SiteCatalyst.
  - Adobe Social—helps organizations measure and manage marketing activities across owned, earned, and paid media, ensuring the impact of social is properly attributed. This solution includes our Context Optional and Adobe SocialAnalytics products.
  - Adobe Target—helps organizations dynamically test and present highly customized experiences to a digital property in order to drive significantly higher conversion rates. This solution includes our Adobe Recommendations, Adobe Search&Promote, Adobe Test&Target and Adobe Test&Target 1:1 products.
- With Adobe Analytics, we will focus on helping our customers understand the performance of their business across all digital channels and support their needs for integrating offline channels. Customers want to know how their campaigns are performing across video, social, mobile and email, and look at that performance holistically. To do this, they require an analytics platform that can assemble data across all those channels to gain better insight and drive informed decision making.

Personalized engagement is a priority for digital marketers; once they attract visitors to their websites, they desire to create the best possible experience. With our Adobe Experience Manager solution we provide an integrated suite of tools that include analytics data, content management and web optimization solutions. Our solution enables digital marketing customers to personalize the experiences of visitors to their websites in ways that are dynamic and relevant to each visitor. Experience Manager helps marketers author, manage and deliver personalized experiences based on many criteria, including analytics data related to a visitor's prior visits to a site, or based on their purchasing history, or what keyword they clicked on in a web search that brought them to

## Table of Contents

a site or in many cases, to a distributed part of its site such as a social network page or app for that customer. With personalized engagement made possible through Experience Manager, marketers can also build a better brand presence, drive demand by quickly creating, launching, and optimizing compelling online marketing campaigns, and extending their reach with their customers through multiple online channels.

The more digital marketers can know about their customers, the more effectively they can reach them with targeted advertising and offers to increase visitor acquisition and conversion through their websites. We provide Adobe Media Optimizer, which combines portfolio and rules-based ad management with intelligent campaign forecasting and targeted ad delivery for data optimized advertising. Our Media Optimizer solution includes our Adobe AdLens (formerly Efficient Frontier), Adobe AudienceManager and Adobe SiteCatalyst products to give marketers a complete view of their online marketing campaign performance across search, display and social channels. This enables deeper and more relevant insights into how their customers are interacting with their brand. It also gives them the data they need to segment those who are still browsing on their sites, and the data on those who are ready to buy—allowing marketers to deliver the appropriate messages or marketing offers at the appropriate time.

Our Adobe Social solution enables marketers to simplify and measure their social marketing efforts. Our offering is an integrated suite of products including Context Optional and SocialAnalytics, and the ability to perform ad buying via AdLens. Combined, our solution enables marketers to create content once and push it out to social media channels such as Facebook, Twitter, Google+, and others quickly and easily. We extend these capabilities to include the ability to find out what content is resonating with marketers' customers or constituents, and help them migrate visitors into destinations such as high-profile Facebook Sponsored Stories. Adobe Social helps marketers determine if their paid media is pushing traffic to their social networks. It also provides them insights into their customers' audience, using real-time data to find out what gets their social communities talking. With this information, marketers can keep their social audiences engaged by creating more targeted content and experiences to drive positive impact on their business. From messaging and offers to media buys and influencers, Adobe Social gives marketers key information about what's driving results.

Adobe Target helps organizations drive higher conversion rates on their websites. Our solution enables digital marketers to create, dynamically serve, and continually optimize personalized messages through the use of integrated products such as Adobe Test&Target, Adobe Recommendations and Adobe Search&Promote. With Adobe Target, marketers can learn more about their customers so they can evolve from marketing messages for broader segments to those relevant to individual visitors. Our offering also uses a robust data-driven approach that unifies internal and third-party data to create highly detailed customer profiles that help marketers deliver the appropriate marketing messages in front of the right people. With these capabilities, customers can optimize their website and digital marketing efforts to maximize their revenue by controlling, monitoring and altering their personalization strategies through built-in testing. Through these features, marketers can also drive higher levels of customer engagement, conversion, and loyalty.

As part of our digital marketing initiatives, we intend to streamline how customers learn about, acquire and deploy Adobe Marketing Cloud solutions. We also believe we can accelerate the growth of our business by expanding our go-to-market strategy to include new geographies and vertical markets where Adobe has a strong presence. In fiscal 2012 we began to build out more sales capacity and resources to support them in our field organization. We believe these investments will drive higher international revenue in our Digital Marketing segment in fiscal 2013 and beyond. With our Project Primetime initiative and set of products to help media and entertainment companies monetize their premium video assets, we will continue to invest in the build out and licensing of our solution. As part of this effort, we intend to expand our focus into new geographic markets in the coming year.

In the fall of 2011, we announced we would narrow our focus with our Adobe LiveCycle and Adobe Connect offerings on two key vertical industries: financial services and government. For these customers, we offer comprehensive, scalable, secure and reliable server products, SaaS offerings and tools to develop applications tailored to their specific information and business process requirements. In fiscal 2013 we will continue to target these vertical markets.

With our LiveCycle offerings, we enable our customers to eliminate paper and move to automated forms-based workflows, which continue to be key challenges in enterprises and governments around the world. Paper remains

prevalent throughout industries and governments, and many organizations are seeking to drive down operational costs related to paper use and workflows involving paper-based documents. During the past decade, there has been considerable progress made towards moving away from paper-based workflows. However, we believe there still remains a significant opportunity to deliver solutions that focus on this opportunity, particularly in the government and financial services categories.

Adobe Connect provides capabilities for live web conferencing, as well as delivering on-demand rich presentations through an on-premise server or as a hosted service and for recording and delivering such content later. Web conferencing services are

## Table of Contents

provided via the ubiquitous Adobe Flash Player client on PCs, as well as through smartphone and tablet device applications running natively on operating systems such as Apple iOS and Android.

### Print and Publishing Segment

#### Print and Publishing Opportunity

Our Print and Publishing business segment contains several of our products and services that address diverse market opportunities including eLearning solutions, technical document publishing, web application development and high-end printing. These opportunities and the key products we offer to address them in fiscal 2013 are reviewed below.

Graphics professionals and professional publishers continue to require quality, reliability and efficiency in production printing, and we believe our Adobe PostScript and Adobe PDF printing technologies provide advanced functionality to meet the sophisticated requirements of this marketplace. As high-end printing systems evolve and transition to fully digital, composite workflows, we believe we are uniquely positioned to be a supplier of software and technology based on the PostScript and Adobe PDF standards for use by this industry. We generate revenue by licensing our technology to OEMs that manufacture workflow software, printers and other output devices, and in fiscal 2012, we maintained our OEM PostScript revenue through continued innovation with PostScript technologies.

eLearning solutions are becoming more prevalent as a means to create and deliver online and electronic learning experiences. These experiences range from online assessments, surveys and quizzes—to online reference and instruction manuals—to real time learning and web-based collaboration experiences. We believe we have a rich legacy in the development and delivery of eLearning tools, and can innovate by providing new features and platform reach for eLearning content delivery with our set of offerings.

Our ColdFusion offering provides fast and easy ways to build and deploy powerful internet applications. Developers can extend or integrate ColdFusion with Java or .NET applications, connect to enterprise data and applications, create and interact via web services, or interface with SMS on mobile devices or instant messaging clients. ColdFusion can also be used for business reporting, rich-forms generation, printable document generation, full-text search and graphing and charting, enabling customers to more fully engage their constituents with better web experiences. We generate revenue by licensing our technology to OEMs that manufacture workflow software, printers and other output devices. In fiscal 2013, we plan to continue to enhance PostScript as well as utilize PDF enhancements to maintain these formats as standards in publishing and printing work flows.

#### Print and Publishing Business Summary

In fiscal 2012, we maintained a consistent quarterly revenue run-rate with the mature products we market and license in our Print and Publishing business. During the year we delivered version 4 of our Adobe Technical Communication Suite, which is a set of tools for technical publishing. We also released version 6 of our Adobe eLearning Suite, which is a set of tools for creating professional eLearning courseware and includes Adobe Captivate version 6 and Adobe Presenter version 8. In fiscal 2012, we maintained our OEM PostScript revenue through continued innovation with PostScript technologies.

#### Print and Publishing Strategy

In fiscal 2013 we will continue our focus on addressing the needs of our Print and Publishing customers. More specifically, in the eLearning market we will innovate around our broad set of tools to help authors of eLearning materials deliver their content in new and more engaging ways, leveraging the adoption of tablet devices in schools and educational institutions. We will also update several of our legacy products to keep customers current with solutions and features they need based on the Print and Publishing products they use.

#### Fiscal 2013 Business Segment Products and Services

##### Digital Media—Creative Products

Adobe After Effects—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, and more than 250 additional visual and additional audio effects.

Adobe Anywhere—hosted software which enables video teams to collaborate and develop video content, using access to shared media across standard networks virtually anywhere they have internet connectivity.



## Table of Contents

Adobe Audition—a professional audio editing environment designed for demanding audio and video professionals; provides high-performance, intuitive tools for audio editing, mixing, restoration, and effects.

Adobe Business Catalyst—an online business solution that provides an all-in-one capability to develop and maintain dynamic websites and powerful online stores with an integrated customer database, email marketing, e-commerce and analytics; integrates with Dreamweaver and Adobe Muse for seamless website creation and publishing; a Business Catalyst webBasics offering is included as part of Creative Cloud membership.

Adobe Creative Cloud—a new, comprehensive offering of creative services, Creative Suite desktop applications, and collaboration and sharing features that is offered on a subscription basis; membership to Creative Cloud enables users to download and install any of the Creative Suite desktop applications, plus other applications such as Acrobat and Photoshop Lightroom; subscribers also receive the latest apps and newest features as soon as they're released; Creative Cloud membership includes 20GB of cloud-based storage and device syncing capabilities, enabling members to easily access and share their work; it also includes the ability to publish websites using our Business Catalyst hosting service, and the ability to publish mobile apps using our DPS, Single Edition and PhoneGap Build services.

Adobe Creative Suite Design & Web Premium—an integrated software solution that creative professionals can use as a platform for print, web and mobile content publishing; combines Acrobat Pro, Dreamweaver, Flash Professional, Adobe Fireworks, Illustrator, InDesign and Photoshop Extended technologies with a file management and control center called Adobe Bridge; integrates with Adobe Digital Publishing Suite.

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 Acrobat Pro, Illustrator, InDesign and Photoshop technologies with a file management and control center called Adobe Bridge; integrates with Adobe Digital Publishing Suite.

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 Acrobat Pro, After Effects, Audition, Dreamweaver, Adobe Encore, Fireworks, Flash Builder, Flash Professional, Illustrator, InDesign, Photoshop Extended, Prelude, Adobe Premiere Pro and Adobe SpeedGrade technologies, with a file management and control center called Adobe Bridge; integrates with Adobe Digital Publishing Suite.

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, television broadcast, and web and mobile devices; combines Adobe Premiere Pro, After Effects, Adobe Audition, Encore, Photoshop Extended, Flash Professional, Illustrator and Adobe Media Encoder technologies with a file management and control center called Adobe Bridge; integrates with Adobe Story.

Adobe Digital Publishing Suite—an integrated, online, hosted publishing solution for individual designers, traditional media publishers, ad agencies, and companies of all sizes that want to create, distribute, monetize, and optimize engaging content and publications for tablet devices; enables magazine and newspaper publishers, as well as individuals, to deliver engaging, branded reading experiences of their publications to an extensive array of mobile and tablet devices; combines hosted services, flexible e-commerce models to sell single issues and subscriptions directly to consumers through mobile marketplaces, and analytics capabilities based on Adobe Marketing Cloud; content is created and enhanced through integration with Creative Suite to enable a complete workflow for the creation and delivery of content to mobile device users via our new Content Viewer technology.

Adobe Dreamweaver—a professional software development application used by designers and developers to create and edit HTML websites and mobile apps; provides a broad range of capabilities for web publishing, enabling online commerce, and providing online customer service and educational content; includes capabilities for visually designing HTML5 pages, coding HTML5 and application logic.

Adobe Edge Tools & Services—new web tools and services which include: Edge Animate, a web motion and interaction design tool that allows designers to create animated content for websites, using web standards like HTML5,



JavaScript and CSS3; Edge Inspect, an inspection and preview tool that allows front-end web developers and designers to efficiently preview and debug HTML content on mobile devices; Edge Code, a code editor, built on the Brackets open source project, optimized for web designers and developers working with HTML, CSS and JavaScript; Edge Reflow, a web design tool to help users create responsive layouts and visual designs with CSS; Edge Web Fonts, a free web font service for using a growing library of open source fonts on websites and in apps; Typekit, a service that gives designers and developers access to a library of hosted, high-quality fonts to use on their

## Table of Contents

websites; and PhoneGap Build, a service for packaging mobile apps built with HTML, CSS and JavaScript for popular mobile platforms.

Adobe Encore—professional DVD authoring and creation software that is included as part of Adobe Premiere Pro; 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 including Blu-ray, ensuring a wide degree of playback compatibility.

Adobe Fireworks—a professional graphics design tool that allows users to create designs for websites and mobile apps quickly, without coding; enables the development and delivery of vector and bitmap images, mockups, 3D graphics, and interactive content for popular tablets and smartphones; integrates with Dreamweaver, Flash and Photoshop, and supports AIR application development.

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 Flash Professional are deployed via the web to browsers that run Adobe Flash Player, and to devices as installable applications using Adobe AIR. The Toolkit for CreateJS, which was included in Flash Professional CS6, introduces the ability to use Flash Professional to create and publish interactive content for the standards-based web using HTML and JavaScript without any need for the Flash Player or AIR.

Adobe Illustrator—a vector-based illustration design tool used to create compelling graphic artwork for print publications, websites and video production.

Adobe InCopy—a professional writing and editing solution that tightly integrates with Adobe InDesign software to enable an efficient collaborative workflow between design and editorial staff.

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

Adobe InDesign Server—delivers a robust and scalable engine that leverages the design, layout, and typographical capabilities of Adobe InDesign software to enable third-party systems integrators and developers to programmatically create engaging automated documents; 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 Muse—new offering available through subscription and Creative Cloud which enables designers to create HTML websites like they would design print layouts, without having to write code; websites can be published with Adobe Business Catalyst service or any hosting provider.

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

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 Extended—provides the capabilities of 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 Lightroom—software designed for professional photographers and photo hobbyists, 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 Prelude—software used by video professionals to streamline post-production tasks; integrates with other Adobe video software including Adobe Premiere Pro, and is included in several configurations of Creative Suite.

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.



## Table of Contents

Adobe Premiere Express—hosted software service based on Adobe Premiere technology that provides video editing and video remix capabilities; licensed by customers such as those running media portals 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; includes Adobe Encore for professional DVD authoring and creation.

Adobe SpeedGrade—new software used by video professionals to color grade their video within video production workflows; integrates with other Adobe video software including Adobe Premiere Pro, and is included in several configurations of Creative Suite.

Adobe Story—an online collaborative script development tool made available as a hosted service; enables writers to author scripts quickly with automatic formatting, and collaborate online. used to begin the planning and preproduction phase of video workflows to be integrated with other Adobe products; developed to create more efficient video production workflows while reducing production costs; automatically turns content in scripts into relevant metadata that can be used throughout the Adobe digital video workflow; offered in two versions: Adobe Story Free and Adobe Story Plus.

Adobe Typekit—subscription-based cloud service that provides the delivery of hosted, high-quality fonts for use on websites; enables designers and developers to deliver beautiful type that enhances the web experience; Typekit fonts are offered as a standalone service, as part of Edge Tools and Services, and as part of Adobe's Creative Cloud service.

Adobe Visual Communicator—software used to create newscast-style video presentations that can be delivered digitally; provides a teleprompter, video creation capabilities, and an entire library of customizable graphics, effects, titles, music, and templates; can be used to convert a Microsoft PowerPoint presentation into a narrated video that can be posted online; can also be used to self-produce video broadcasts, conferences, distance learning courses, campus-wide newscasts, and more.

### Digital Media—Touch App Products

Adobe Revel—touch-based photo app and service for Mac, iPad, and iPhone users; gives users access to their photo libraries from multiple devices no matter which one they are using; allows users to utilize powerful photo-processing technology based on Adobe Photoshop Lightroom software to enhance their images.

Adobe Ideas—a vector-based sketching app designed to enable creative professionals to capture their ideas and be a companion tool for other professional design applications from Adobe, including Illustrator and Photoshop; available for the iPhone and iPad.

Adobe Photoshop Touch—touch-based iPad and Android tablet app; enables users to edit images and apply professional effects using core Photoshop features, and then digitally share the results through social networking sites like Facebook.

### Digital Media—Developer and Platform Products

Adobe AIR—client software and packaging technology that allows developers to use existing web development skills (e.g. HTML, Ajax, Flash and Flex) to build and deploy standalone applications (RIAs) on PCs and mobile devices.

Adobe Flash Builder—a cross-platform development environment based on Eclipse for building games and applications in Actionscript and using the open-source Flex framework; enables developers to develop apps and games for browsers, PCs and mobile devices.

Adobe Flash Player—the most widely distributed rich client software on PCs and consumer electronic devices; provides a runtime environment for text, graphics, animations, sound, video, application forms and two-way communications.

Adobe Flash Platform Services—services that enable developers and publishers to distribute and monetize applications across multiple distribution channels.

Adobe Flex—a free, open source framework for building applications that deploy consistently on major browsers, desktops, and computer operating systems by leveraging the Adobe Flash Player and Adobe AIR runtimes. Adobe Flex 4.6 was the final release by Adobe. All subsequent versions are released by the Apache Software Foundation following Adobe's contribution of Flex to Apache.

Adobe PhoneGap—PhoneGap is a free, open source framework for building cross-platform mobile applications using HTML, CSS and JavaScript that run on popular mobile operating systems such as Android, iOS and BlackBerry; PhoneGap Build is our solution to assist developers with creating mobile applications which leverage the open source

framework; it is offered as a standalone solution and as part of our Adobe Edge Tools & Services.

## Table of Contents

### Digital Media—Acrobat and Document Services Products

Adobe Acrobat Standard—software that creates secure, reliable and compact Adobe PDF documents 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.

Adobe Acrobat Pro—in addition to all the capabilities of Acrobat Standard, Acrobat Pro delivers specialized capabilities for creative professional and engineering users, such as pre-flighting, color separation and measuring tools; also allows users to insert Flash video or H.264 video for direct playback in the most recent versions of Adobe Acrobat and Adobe Reader software, create dynamic HTML and PDF forms with Adobe FormsCentral that is included with Acrobat Pro, ad hoc form distribution and data collection, and create Adobe PDF documents that enable Adobe Reader users to digitally sign Adobe PDF documents, participate in a shared review and fill and save in forms.

Adobe Acrobat.com—an online collaboration service which provides simple web conferencing, centralized online file sharing and storage capabilities, and online collaborative applications like a word processor and a spreadsheet authoring tool.

Adobe CreatePDF—an online PDF file creation service that provides easy conversion of almost all document 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 computers via the free Adobe Reader.

Adobe EchoSign—offered as part of Adobe's online document exchange services platform, EchoSign enables customers to electronically sign documents via a simple cloud-based service.

Adobe SendNow—an online file sharing service that lets users send, share, and track files online, even large ones, without the complications of email size restrictions, multiple email attachments, FTP sites, and overnight shipping services.

Adobe Reader—software for reliable viewing, searching, reviewing and printing of Adobe PDF documents on a variety of hardware and operating system platforms; when used with certain Adobe PDF documents created with Adobe LiveCycle Reader Extensions Server software, Acrobat Pro or Acrobat Pro Extended, Adobe Reader also can be used to enable collaborative workflows through the addition of collaboration features built into the Adobe PDF document; these features include review and markup tools that normally are not present in the standard Adobe Reader product.

### Adobe Marketing Cloud Solutions

We offer the Adobe Marketing Cloud, our set of digital marketing solutions and services used to manage and enhance online, offline and multi-channel business initiatives, which we host and deliver to our customers on-demand and also provide as an on-premise solution for some products.

Our Adobe Marketing Cloud solutions include a complete set of analytics, social, advertising, targeting and Web Experience Management solutions and a real-time dashboard that brings together everything marketers and advertisers need to know about their marketing campaigns. It helps users of the solutions obtain data to gain insights and act upon their data more quickly.

Our solutions utilize data from online channels such as mobile, social and digital video; data from enterprise systems such as Customer Relationship Management (“CRM”) applications; content that can be assembled to create personalized experiences; and common services that allow the ability to access the data and content. These solutions and services are accessed primarily by a web browser, and are built on a scalable and flexible computing architecture. As such, these components and services reduce the need for our customers to make upfront investments in technology, implementation services or additional IT personnel, thereby increasing customers' flexibility in allocating their IT capital investments.

Adobe Marketing Cloud is comprised of several components listed below, organized around key solutions which address the broad needs of digital marketers.

### Adobe Analytics

Adobe Analytics combines the power of actionable analytics and audience segmentation with the distributed value of reporting and sharing of key business analysis and connects it for data driven marketing. It includes the following key product components:

Adobe SiteCatalyst—hosted software that provides users the ability to capture, store and analyze information generated by their websites and other sources and to gain real-time business insights via charts, graphs and dashboards into the performance and efficiency of marketing and sales initiatives and other business processes; built on a scalable and flexible computing architecture.

## Table of Contents

Adobe Discover—hosted software that provides web analysts and digital marketers with insight and concise web analytics marketing segmentation as revealed by real-time visitor information; enables businesses to understand a comprehensive, multi-dimensional view of their customers through accurate and timely information such that they can make informed decisions to improve the performance of their business.

Adobe DataWarehouse—contains information captured by SiteCatalyst, our core Analytics product offering, and other Digital Marketing applications.

Adobe ReportBuilder—a plugin that enables marketers to perform specialized analysis and easily create customized reports inside of Microsoft Excel; provides users with an intuitive, easy-to-use wizard that guides them through the process of importing real-time online analytics data from our SiteCatalyst analytics product.

Adobe Genesis—contains application programming interfaces to integrate and augment analytics data with relevant data from internet and enterprise applications and data from a growing number of online and offline channels to enable business optimization.

Adobe Insight—on-premise software that enables organizations to quickly analyze large volumes of rapidly evolving data in real-time; provides users with charting and visualization capabilities to assist them with making quick business decisions that can improve overall business performance; accepts data from any source, including data warehouses and business intelligence tools.

### Adobe Social

Adobe Social helps organizations measure and manage marketing activities across owned, earned and paid media—ensuring the impact of social is properly attributed. It includes the following key product components:

Adobe Social—enables marketers to use social data as an input to optimizing interactions with their customers and prospects across all channels; helps users see social media data with other analytics data by integrating the two to give real-time measurement and segmentation information on social networks; with this insight, marketers can measure the impact of social media on their business and understand how conversations on social networks and online communities influence marketing performance.

Adobe CQ Social Communities—used by marketers to leverage social media and dedicated branded communities on their digital properties; enables customers to build out their social presence on their websites with user-generated content alongside premium content; marketers can use its functionality to offer social login, social plug-ins, comments, ratings, forums, blogs, social calendaring, and extended user profiles; also enables marketers to interact directly with their customers, foster online communities and encourage customer connection to increase engagement and drive higher brand loyalty and conversions.

### Adobe Media Optimizer

Adobe Media Optimizer combines portfolio and rules based ad management with intelligent campaign forecasting and targeted ad delivery for data optimized advertising. It includes the following key product components:

Adobe AdLens—a cloud-based, unified ad management system for digital marketing efforts across search, display, and social media channels; offers insight, control, and automation for cross-channel campaign management; users can manage and optimize search, display and social advertising as a unified campaign; includes data integration with Adobe SiteCatalyst; enables advertisers to utilize conversion metrics to make strategic media decisions and deliver optimal return on their advertising spending; also provides integration with Adobe AudienceManager for targeted audience segmentation to ensure marketers can have their advertising campaigns reach their intended targeted audiences. AdLens was formerly known as Efficient Frontier, and also combines the features of our product formerly known as Adobe SearchCenter.

Adobe AudienceManager—hosted software that enables advertisers and publishers to maximize their online ad investment through online audience optimization; helps marketers consolidate audience information from all available sources and assists with identifying, quantifying, and optimizing high-value target audiences, which can then be offered to advertisers via an integrated, secure, privacy-friendly management system that works across all advertising distribution platforms.

Adobe AudienceResearch—hosted software that provides publishers with certified metrics, enabling insight into audience size and engagement for websites, mobile applications, and digital magazines; leveraging data from Adobe SiteCatalyst installations, it certifies the quality of the data and delivers accurate and consistent reporting in real time



through relationships with the Media Rating Council, the leading digital auditing service, and the Interactive Advertising Bureau, which drives industry guidelines for audience measurement.

## Table of Contents

### Adobe Target

Adobe Target helps organizations dynamically test and present highly customized experiences to a digital property in order to drive significantly higher conversion rates. It includes the following key product components:

Adobe Recommendations—hosted software that enables businesses to promote products and content online; utilizes flexible data and behavioral driven algorithms, allowing our customers to increase conversions on their websites by ensuring relevant choices are automatically presented to their customers, either on websites or through email campaigns.

Adobe Search&Promote—hosted software which enables marketers to optimize how visitors browse, find, compare, and select relevant products and content on web and mobile sites; marketers can easily promote priority items based on business objectives and visitor intent, as well as automate merchandising and promotions activity via certain triggers or metrics; provides flexible search and navigation interfaces, social browsing, sort and filter options, refinements based on multiple facets such as color, gender and customer ratings, an advanced marketer console to monitor conversion metrics and paths, and a visual rule builder to manage promotions.

Adobe Test&Target—hosted software that gives digital marketers a website optimization tool with the capabilities to make their online content and offers more relevant to their customers, yielding the potential for greater customer conversion; provides an intuitive interface for designing and executing tests, creating audience segments and targeting content.

Adobe Test&Target 1:1—hosted software that enables digital marketers to personalize the presentation of content and offers that a visitor may find most relevant, increasing the likelihood of engagement and conversion; enables marketers to target individual site visitors rather than predefined visitor segments; includes self-learning algorithms which minimize the investment required to target individuals with personalized content and offers; content can be optimized to any key performance indicator, including revenue, conversion, or click-through rate.

### Adobe Experience Manager

Adobe Experience Manager enables marketers to create, manage, and optimize online customer experiences to build brand, drive demand and extend reach in the digital world. It integrates Adobe's broad portfolio of industry-leading tools to empower marketers to execute with ease, agility, and effectiveness. Experience Manager also facilitates collaboration with IT by providing the unified tools and platform to enable them to rapidly develop and deploy new templates, designs, and components for web, mobile and social channels to business users.

The foundation of our Experience Manager solutions is Adobe CQ, our WCM platform which enables organizations to deliver carefully tailored customer experiences across web and mobile channels. Experience Manager also provides a rich analytics framework by enabling powerful, embedded integrations with a collection of analytics applications for online business optimization. This framework enables marketers to collect, test, and measure customer interactions with their brand to further refine the user experience, reinforcing a sustained, virtuous cycle that is constantly optimizing.

Key capabilities offered by Experience Manager include:

Automated personalization—marketers can deliver targeted content to customers based on their persona, context, and other data, and simulate user experiences for different personas. As marketers identify which offers and content are relevant to their customers, they can continually evolve their experiences by executing multiple testing to improve content relevance in any channel;

Cross-channel—marketers can rapidly deliver content to all screens, as Adobe CQ automatically detects a user's device and sends the representation optimized for its device group. Content authors can simulate the experience for mobile sites and mobile applications as it would appear on a particular device;

Digital Asset Management —provides the ability to organize and manage digital assets with a single repository;

Social communities—marketers can easily embed social properties such as wikis, blogs, calendars, and forums to glean customer insights to drive their business forward, foster brand advocates to evangelize their products and services, and empower their customers to share their own content, driving deeper engagement with their brand; and

Campaign management—Automates the management of multi-channel campaigns to help marketers handle customer segments, lists, leads, and reports.



## Table of Contents

Adobe Experience Manager includes the following key product components:

Adobe CQ—our WEM, DAM, and social collaboration platform that enables interactive marketers to leverage the online channel as the most cost-effective marketing vehicle to engage customers and prospects to increase competitive advantage and drive revenue; offered as a hosted and on-premise solution.

Adobe Scene7—hosted solution used to enhance, publish, and deliver dynamic marketing assets to web, mobile, social, email, and print; enables businesses to leverage consumer data and tailor content delivery to provide a rich, immersive digital experience to each consumer in real-time; content is tailored by dynamically generating and delivering variations of rich content that is relevant for consumer engagement across channels and devices; 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.

Landing Pages—enables digital marketers to quickly create, edit, and publish landing pages and microsites that build brand, drive demand, and reach new customers with agile digital experiences.

Adobe CQ Social Communities—used by marketers to leverage social media and dedicated branded communities on their digital properties; enables customers to build out their social presence on their websites with user-generated content alongside premium content; marketers can use its functionality to offer social login, social plug-ins, comments, ratings, forums, blogs, social calendaring, and extended user profiles; also enables marketers to interact directly with their customers, foster online communities and encourage customer connection to increase engagement and drive higher brand loyalty and conversions.

Digital Asset Management—provides a repository for organizing and managing digital assets; integrates with Adobe CQ and Adobe's creative authoring tools to provide a seamless path from asset creation to storage, approval, publishing, and reuse; designed to manage assets and dynamically deliver rich media, including video, for multi-channel distribution; uses web-based shared workspaces for workflow-based idea sharing and offers 24/7 self-service of marketing materials and video and image libraries; simplifies planning, production, and distribution of digital assets within organizations and with external digital agencies.

Adobe CRX—an open, standards-based Enterprise Content Management (“ECM”) platform, built on a modern architecture that is highly scalable; natively manages all content as defined in the Content Repository for Java Technology API Version 2.0 specification; this programming interface, defined by the ECM industry, provides developers with a stable and well-defined, yet extensible content and query model that protects past and future investments.

### Media & Advertising Solutions

We provide solutions for creating, delivering and monetizing video, enabling customers such as media and entertaining companies to expand the reach of their business using an entire workflow from Adobe. Within our Digital Media business our content creation tools are managed and offered to help customers create professional and premium video content. As part of our video content creation solutions, we also offer Adobe Anywhere which enables video teams to collaborate and develop video content, using access to shared media across standard networks virtually anywhere they have internet connectivity.

As more and more premium video delivery has migrated to the web, Adobe has built out solutions in our Digital Marketing business to assist customers with delivering, protecting and monetizing their video assets. In 2012, we announced Project Primetime, which is a unified video platform that helps customers achieve broadcast audience reach, lower operating costs, and boost revenue from ad sales. Our solution delivers a TV-like viewing experience across platforms, including iOS and Android, and on devices from desktops to tablets to Smart TVs. Project Primetime provides a single, end-to-end workflow that links our streaming, DRM, ad serving, audience management, analytics, and optimization technologies.

Our efforts with Project Primetime are based on the development and integration of the following products and solutions:

Adobe Access—a scalable, flexible content protection solution which provides an efficient workflow to help companies deliver and protect premium video across desktops, mobile devices, and platforms, including iOS and Android; as an UltraViolet approved DRM technology, it also extends audience reach and enables a variety of business models, including HD rental, subscription, and electronic sell-through.

Adobe Auditude—a video ad serving platform that provides premium TV-like commercial breaks during video delivery, supported by robust tools and services to drive the highest volume of advertising demand from direct and indirect sales; enables seamless ad insertion across PC, iOS and Android devices, set-top boxes, game consoles, and other internet-connected video playback devices; allows marketers to deliver relevant, targeted advertising with full control over ad quality and sequencing.

## Table of Contents

Adobe Media Server—a family of server-based software which provides video publishing and workflow capabilities that enable customers to deliver video to PC and non-PC platforms, including those running iOS and Android; utilizes flexible delivery methods which can save bandwidth costs and lighten network load; offered to customers with different levels of capabilities:

- Adobe Media Server Standard—base level version enables customers to deliver video on-demand and live through HTTP delivery to reach broad video audiences using iOS and Adobe Flash Player compatible devices and PCs.

- Adobe Media Server Professional—combines with Adobe Access software to enable customers to stream protected, studio-grade content using a single DRM workflow across desktops, connected TVs, tablets, and smartphones, including iOS and Android devices.

- Adobe Media Server Extended—broadens video delivery broadcast capabilities by enabling customers to serve video to more viewers on a large scale with peer-to-peer capabilities.

- Adobe Media Server on Amazon Web Services—an easy and affordable way for customers to deploy multiprotocol media streaming that scales to meet business needs; supports Dynamic HTTP Packaging, protected HTTP streaming, and DRM for Apple HLS; enables a single packaging and protection workflow, and provides delivery scale through integration with Amazon CloudFront.

Adobe Media Encoder—a free media encoder and live audio and video capture software, also available as part of Adobe Creative Cloud and our Creative Suite video products; streams audio and video in real time to Adobe Media Server software; enables web broadcasts of live events such as sporting events, concerts, webcasts, and news and educational events.

Adobe Pass for TV Everywhere—as part of the TV Everywhere industry initiative, Adobe Pass enables content owners to verify a user's entitlement to content in a manner that is simple and secure; implemented as a hosted service, it allows for back-end integration based on the business rules required by both programmers and pay TV providers; helps content owners and pay TV providers take their content to the internet with a secure environment to prevent fraud, and a superior customer experience.

Adobe Video Streaming Service—via CDN partners, Adobe offers hosted services for streaming on-demand video for the Adobe Flash Player runtime across high-performance networks; built with Adobe Media Server, Adobe Video Streaming Service provides an effective way to deliver .flv video to large audiences without the overhead of setting up and maintaining streaming server hardware and network.

HTTP Dynamic Streaming—enables on-demand and live streaming of standards-based MP4 video over regular HTTP connections; gives content creators, developers, and publishers more choice in high-quality media; while the Real Time Message Protocol remains the protocol of choice for lowest latency, fastest start, dynamic buffering, and stream encryption, HTTP Dynamic Streaming enables leveraging of existing caching infrastructures, and provides tools for integrating content preparation into existing encoding workflows.

Digital Marketing—Digital Enterprise Products

Adobe Connect—a rich web-based SaaS offering or on-premise perpetual license server communication system that 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 Adobe Connect Events Server or hosted service, and modules that provide specific application functionality, including Adobe Connect Training and Adobe Connect Events; can be deployed with either some or all of these components together; Adobe Connect Training allows organizations to build a complete online training system with Microsoft PowerPoint presentations that include surveys, analysis, course administration and content management; Adobe Connect Events allows users to provide seminar and training sessions as well as to conduct business presentations through the web.

Adobe LiveCycle Collaboration Service—enables architects and developers to create more engaging and more dynamic user experiences that deliver multi-user, real-time collaboration features into new or existing rich internet applications; allows customers to offload management and processing for features such as chat, video, VoIP and white-boarding, ultimately to provide guided product or service selection, assisted product design or enhanced customer support.

Adobe LiveCycle Connectors for ECM—solutions that enable LiveCycle customers to connect their LiveCycle applications with other industry-leading enterprise content management systems, such as EMC Documentum, IBM

FileNet and IBM Content Manager.

Adobe LiveCycle Content Services—offers a library of services that can be used with other LiveCycle solution components to create content-rich engagement applications whereby end users can share and collaborate on content development in content spaces as part of a company's business processes; supports check-in/check-out capabilities, keeps a complete audit history of all

## Table of Contents

document actions and provides a fully integrated set of content services ranging from an enterprise content repository to social collaboration tools such as enterprise forums; also includes team collaboration capabilities such as forums and discussions, and provides Microsoft Office plug-ins that enable users to interact with the process engine and content repository using Microsoft Word and Microsoft Excel.

Adobe LiveCycle Mosaic—provides rich internet application framework for rapidly assembling and engaging activity-centric enterprise applications, and provides knowledge workers with real-time, contextual information from multiple sources in a single, personalized view; used by developers to extend existing applications by exposing their business logic and user interfaces into application tiles that can be assembled to create unified views.

Adobe LiveCycle Data Services—high-performance, scalable and flexible framework that streamlines the development of RIAs using Flex and Adobe AIR; abstracts the complexity required to create server push-based applications and supports a rich set of features to create real-time solutions; utilizes powerful data services and simplifies data management problems such as tracking changes, synchronization, paging and conflict resolution; deployed as a standard J2EE web application, which enables customers to leverage their existing infrastructure.

Adobe LiveCycle Forms—server-based software application that organizations can use to cost-effectively and securely extend their core business processes beyond their enterprise system; enables customers to create and deploy XML-based form templates as PDF, SWF, or HTML for use with Adobe Reader or Adobe Flash Player software, or with web browsers; provides for the capture of data from submitted forms and the transfer of the data directly into an organization's core business systems, thereby streamlining form-driven business processes and improving data accuracy.

Adobe LiveCycle Reader Extensions—server-based software application that lets enterprises easily share interactive Adobe PDF documents with external parties without requiring recipients of the documents to purchase Acrobat software that normally would be necessary to interact with the Adobe PDF documents they receive; unlocks features on an individual Adobe PDF document by document basis 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 Reader, such as reviewing and commenting functions, signatures to digitally sign PDF documents, embedding file attachments, enabling database and web service capabilities, and the ability to fill in form data, submit and save electronic documents locally.

Adobe LiveCycle Output—server-based solution that supports on-demand document processes including the generation of documents such as correspondence, confirmations, bids, or shipping labels; provides capabilities to merge XML data from back-end systems with LiveCycle Designer ES templates to generate documents in PDF, PDF/A, PostScript, PCL, or Zebra label formats; customers can customize electronic document packages by combining newly generated PDF documents with existing files from document repositories; customers can also convert PDF documents to print or image file formats and then route them automatically to support direct server-based printing or archiving operations.

Adobe LiveCycle PDF Generator—server-based software that automates the creation, assembly, distribution and archiving of PDF documents in combination with critical business processes; converts a wide range of native and standard file formats, and can combine newly created PDF documents with existing files or pages to assemble customized PDF packages; supports direct server-based PDF printing or can convert PDF documents to a wide variety of formats, including image formats and PDF/A.

Adobe LiveCycle Production Print—server-based solution that performs high-volume jobs through efficient batch processes, generating documents such as statements, invoices, contracts, or welcome kits; merges XML, ASCII or other data types from back-end systems with LiveCycle Designer ES templates to generate documents in a broad range of print or electronic formats to support high volume production requirements; enables customers to print document packages by collecting multiple jobs over time and then grouping them to minimize mailing costs.

Adobe LiveCycle Digital Signatures—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 documents, 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—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, Microsoft PowerPoint, PTC Pro/ENGINEER, Dassault CATIA and Lattice XVL 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 Acrobat and Adobe Reader and other client plug-in software to author and view protected documents.

## Table of Contents

Adobe LiveCycle Process Management—server-based process management application that allows organizations to orchestrate people, systems, content and business rules into streamlined, end-to-end processes that are accessible to process participants through engaging user interfaces, online or offline; provides out-of-box dashboards to help users gain insights into business operations in real time and management tools to fix day-to-day operational problems and make long-term process improvements.

Adobe LiveCycle Business Activity Monitoring—software that allows administrators and process participants to quickly identify bottlenecks, check progress and view other process information related to business transactions; comes in two versions: Adobe LiveCycle Business Activity Monitoring (“BAM”) ES Standard, which allows for the monitoring of all LiveCycle processes with 16 out-of-the-box dashboards and, Adobe LiveCycle BAM ES Extended, which adds the ability to extend LiveCycle BAM ES to other enterprise business systems so that users can monitor business processes via dashboards inside and outside the LiveCycle environment.

Adobe LiveCycle Managed Services—LiveCycle is available as on-premise software or as a managed services offering delivered in partnership with Amazon.com. LiveCycle Managed Services customers pay Adobe an annual subscription fee. In return, Adobe provisions and manages a LiveCycle instance for the customer on Amazon Web Services. By outsourcing the management of their LiveCycle instance to Adobe, customers benefit from increased capital efficiency and reduced complexity. As a result, customers can focus more of their efforts on providing successful user outcomes and less on the tasks of managing computing infrastructure.

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, enterprise resource planning 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 LiveCycle Designer—desktop software application that 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 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—an 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.

### Print and Publishing Products

Adobe Authorware—a legacy rich media authoring tool used to develop caption based eLearning on Windows and Macintosh based platforms; use of the product ranges from creating web-based tutorials to simulations incorporating audio and video; applications developed with Authorware can be delivered on the web, over corporate networks or on CD-ROM.

Adobe Captivate—enables users to rapidly create professional and engaging eLearning content-including software simulation, quizzes, animation and multimedia-and deliver the content in .flv and other formats; the content can be created without any programming or multi-media skills and can be published to CD/DVDs and Learning Management Systems used in training, sales, marketing and customer support applications; often used in combination with Adobe

Connect, Adobe Captivate provides a robust technology solution to bring understanding and retention to end users of rapid training and eLearning solutions.

Adobe ColdFusion—provides a server-scripting environment and a set of features used by organizations for building database-driven scalable applications that are accessible through web browsers, Adobe Flash Player and Adobe AIR; built on an open Java technology architecture and can be deployed on third-party Java application servers that support the J2EE specification.

Table of Contents

Adobe ColdFusion Builder—development tool for building ColdFusion applications; provides a unified, customizable and extensible development environment to code applications, manage servers and deploy projects.

Adobe Contribute—an easy-to-use tool to update and publish web content, designed for non-technical business users who need to make minor changes to intranet and internet websites that conform to the structure, style, layout and site standards setup by a website administrator; streamlines the web content maintenance process and provides website administrators with a set of simple content management functionality to manage and administer websites; also provides bloggers with a simple tool to create and update their blogs.

Adobe Director—a tool for creating professional multimedia content that combines images, text, audio and video into presentations, interactive experiences and prototypes; for websites, it provides users with the ability to deliver multimedia content that supports three dimensional content and animations for use in various markets, including education, games and commerce; also enables the creation of fixed-media content for CD titles and DVD titles in the entertainment, education and corporate training markets.

Adobe eLearning Suite—an integrated set of software for creating professional eLearning and HTML5-based courseware; includes capabilities of Adobe Captivate, Flash Professional, Dreamweaver, Photoshop Extended, Acrobat, Adobe Presenter, Adobe Audition and Adobe Bridge.

Adobe FrameMaker—an application for authoring and publishing long, structured, content-rich documents including books, documentation, technical manuals and reports; provides users a way to publish their content to multiple output formats, including print, Adobe PDF, HTML, XML and Microsoft Word.

Adobe FrameMaker Server—extends the capabilities of FrameMaker software in an automated, server-based environment; includes features that facilitate high-volume publishing, including catalog, database, and directory publishing, as well as the production of personalized technical documents and custom eBooks.

Adobe Font Folio—contains more than 2,400 typefaces from the Adobe Type Library in OpenType format, offering a type solution for print, the web, digital video or electronic documents; also includes Adobe Type Manager which makes it easy to create beautiful text for print, web and video projects.

Adobe JRun—a legacy application server solution based on the J2EE specification; integrates with our development tool offerings and is used to deploy applications for functions such as online banking and customer service.

Adobe PageMaker—software used to create high-quality documents simply and reliably with robust page layout tools, templates and stock art.

Adobe PDF Print Engine—a next-generation printing platform that enables complete, end-to-end PDF-based workflows using common PDF technology to generate, preview and print PDF documents; allows PDF documents to be rendered natively throughout a workflow, providing performance benefits which include eliminating the need to flatten transparent artwork.

Adobe PostScript—a printing and imaging page description language that delivers high quality output, cross-platform compatibility and top performance for graphically rich printing output from corporate desktop printers to high-end publishing printers; gives users the power to create and print visually rich documents with total precision; licensed to printing equipment and workflow software manufacturers for integration into their printing products.

Adobe RoboHelp—an easy-to-use authoring and collaboration tool used by developers and technical writers to create professional help systems and documentation for desktops, smartphones, tablets and web-based applications; utilizes support for HTML5, WebHelp, Compiled Windows HTML Help (“CHM”), AIR Help, PDF, eBook, and native mobile apps.

Adobe Shockwave Player—a rich media player used for deploying multimedia content for use in internet solutions including education, training, games and commerce.

Adobe Technical Communication Suite—an integrated set of software for technical communicators who create and delivery technical-orientated content; includes Acrobat, Adobe Captivate, FrameMaker, Illustrator and RoboHelp technologies; helps customers improve their workflows, especially technical communicators who want a single solution to meet their content creation and publishing needs.

FreeHand MX—a legacy professional vector graphics tool designers and illustrators use to create images.



## Table of Contents

### COMPETITION

The markets for our products and services are characterized by intense competition, new industry standards, evolving business and distribution models, disruptive software and hardware technology developments, frequent new product introductions, short product life cycles, price cutting with resulting downward pressure on gross margins and price sensitivity on the part of consumers. Our future success will depend on our ability to enhance and better integrate our existing products, introduce new products on a timely and cost-effective basis, meet changing customer needs, extend our core technology into new applications and anticipate and respond to emerging standards, business models, software delivery methods and other technological changes.

#### Digital Media

In our Digital Media segment, we offer Adobe Creative Cloud and Adobe Creative Suite in multiple editions which consist of combinations of several of our technologies. In addition to offering the technologies within these products, we also offer many of them as individual software applications. These products compete with those from many companies, including Apple, Aviaary, Avid, Corel, Microsoft, Quark and others, as well as from many lower-end offerings available on touch-enabled devices via app stores, and from various open source initiatives.

Of the competitors listed, no single company has offerings identical to our Creative Suite and Creative Cloud family of products, but our products face collective competition from a variety of point offerings, free products and downloadable apps. For instance, Aviaary provides for a free set of online, cloud-based creative tools via its partners' websites and mobile applications. Its tools run inside web browsers and mobile applications and include an image editor, a vector graphics editor, a special effects tool, and audio and music tools.

We believe our Creative Suite and Creative Cloud family of products competes favorably on the basis of features and functionality, ease of use, product reliability, value and performance characteristics. The individual technologies within Creative Cloud and the Creative Suite editions also work well together, providing broader functionality and shortened product training time for the individual who uses multiple applications to complete a project.

As discussed below, we also believe our individual Creative Suite and Creative Cloud products compete favorably against those offered by competitors noted above.

Our InDesign product, used for professional page layout, faces competition from offerings such as Quark Xpress in the professional page layout market. We believe InDesign competes favorably due to the innovative features of InDesign, its improved integration with our other products, our strong brand among users, positive reviews by industry experts, and more recent innovations which address customer challenges related to publishing for tablets which is delivered in concert with our new Digital Publishing Suite offerings.

Professional drawing and illustration products are characterized by feature-rich competition, brand awareness and price sensitivity. Our Adobe Illustrator product faces competition from companies such as ACDsee, Aviaary, Corel, Mediascape, Xara and the open source product called Karbon14. Competition in this market is also emerging with a new category of drawing and illustration applications on tablet and smartphone platforms. We offer Adobe Ideas for graphics creation on tablets, and other software companies, including Autodesk with its SketchBook Pro application, are extending their products and feature sets to platforms such as Apple's iPad and potentially other tablet devices. We believe our products compete favorably due to high customer awareness of their rich features, especially the drawing and illustration functionalities, the technical capabilities of the product and our ability to leverage core technologies from our other established products.

The demand for professional web page layout and professional web content creation tools is constantly evolving and highly volatile. We believe Dreamweaver and Flash Professional face direct and indirect competition from desktop software companies such as Bare Bones Software, FlashDevelop, JetBrains, Panic, MacRabbit, MacroMates, and various proprietary and open source web authoring tools. We also face competition from Microsoft Visual Studio products, and other integrated development environments that enable developers to create web applications from companies such as BEA Systems (a subsidiary of Oracle), Borland (owned by Micro Focus) and IBM. We believe our products compare favorably to these applications; however, our market share may be constrained by Microsoft's ability to target its web software to users in markets it dominates. These target customers include users of Microsoft Office, Microsoft Windows operating system, the Microsoft Internet Explorer web browser and Microsoft Visual Studio.

Our Flash technologies, including Adobe Flash Player and Adobe AIR, face competition from alternative approaches to building rich content and web applications such as JavaFX, HTML5, native applications and Unity.

## Table of Contents

The HTML specification, which among other things describes the syntax and format for encoding web pages, has evolved over several decades and Adobe has participated in its evolution. Our tools are among the leading applications used by web designers and developers to create HTML-based content that is displayed and viewed in web browsers.

The newest version of HTML, commonly known as HTML5, is being developed by an industry consortium that includes Adobe and leading browser vendors such as Apple, Google and Microsoft, and contains new features which compete with some of the features of Flash. These features include the ability to create and display rich advertising and play video natively within the browser. We are working to implement support for HTML5 in our creative product solutions, and we believe we will provide the widest array of support and tooling for HTML5 content creation over time. We are also contributing Adobe technology to WebKit, the open source project utilized by popular internet browsers such as Apple's Safari and Google's Chrome browser, to improve the user experience for HTML5-based content in areas such as publishing and animated graphics. By increasing the capabilities for displaying rich content in browsers with HTML5, we believe we can increase the desire by web content creators for our tools that create such content.

As it relates to Flash, we believe that Flash technology-based content and tooling have a significant technology lead over other solutions trying to replicate its feature sets on PC-based systems, particularly in use cases such as online gaming, web applications, 3D-based content, and premium online video delivery. Given Apple's considerable market share with smartphones and tablets, and Apple's decision to not support Adobe Flash Player on its mobile devices, in 2011 we decided (based on this and other factors) to discontinue new development on Adobe Flash Player for mobile browser implementations in favor of supporting Adobe AIR for the packaging of standalone mobile applications developed using Flash technologies.

As it relates to HTML5, we believe demand for authoring using new HTML5 features will intensify the competition in the professional web page layout market. We also believe the potential fragmentation of HTML5 implementations by the various browser vendors that compete with each other will create the need for tool improvements to address the disparities between platforms and devices that could result. Our Dreamweaver product, new Adobe Edge Tools & Services and Adobe Muse are well positioned to assist customers with migrating to new versions of standards such as HTML5, as well as delivering the means to create rich, interactive experiences on devices and screens of all sizes. We expect new tools and solutions to come to market that will compete with our tools. However, we believe our continuing innovation in our tools, and how these tools are integrated with other Adobe technologies that are used by web content creators, creates a value proposition that is greater than those trying to compete with our web page content creation offerings.

As customers such as publishers and media companies increase their desire to deliver their assets to new platforms such as mobile devices and tablets, we expect new and existing companies to continue to offer solutions that address these challenges that are competitive with our Digital Publishing Suite. Many design agencies are building capabilities to offer such solutions, and companies such as Amazon, Apple, Aquafada, Google, Texterity and Zinio offer an alternative format and business model for the delivery of newspaper and magazine content to mobile devices. With our Adobe Media Server solution, we face competition from Microsoft with its Windows Media Server for Windows Media and Silverlight, as well as Apple, Move Networks, Real Networks, Wowza Media Systems and others.

Our tools used to create applications for PCs and mobile devices such as smartphones and tablets are influenced by evolving industry standards, rapid software and hardware technology developments and frequent new product and technology introductions by companies or open-source initiatives targeting similar opportunities. Technologies and products that compete with our tools for creating mobile applications include solutions that utilize Java and Scalable Vector Graphics. On Apple devices running the iOS operating system, on devices running Microsoft operating systems and on devices running the Google Android operating system, developers can choose to use native development environments for those platforms. They can also utilize other developer solutions that can be compiled to run on such devices, including those from companies such as Appcelerator, Unity Technologies, Sencha and Strobe. We believe our robust programming model and developer tools used to create rich content, our large developer community and ecosystem that utilize our tools and the growth of companies who utilize our Flash, AIR, PhoneGap



and PhoneGap Build solutions as a basis for rich content and application delivery across multiple screens are key assets in our ability to effectively compete in this market. Further, the rich expressiveness of Flash, which provides the capability to deliver audio, video, motion graphics, vector graphics and visual effects resulting in rich user experiences and interfaces in browsers on PC platforms and as applications across PC and mobile device platforms such as iOS and Android, is a key differentiation when compared to the capabilities of alternate solutions, especially for gaming and premium video delivery use cases.

The needs of digital imaging and video editing software users are constantly evolving due to rapid technology and hardware advancements in digital cameras, digital video cameras, printers, PCs, tablets, mobile phones and other new devices. Our imaging and video software offerings, including Photoshop, Photoshop Lightroom, Photoshop Elements, After Effects, Adobe Audition, Encore, Adobe Premiere Elements and Adobe Premiere Pro, face competition from companies offering similar products. We also

## Table of Contents

continue to face competition from new and free products, including web services and mobile/tablet applications that compete directly with our Adobe Revel offering.

In professional digital imaging, software applications and services compete based on product features, brand awareness and price sensitivity. In addition to competition with Apple's Aperture product, our Photoshop and Photoshop Lightroom products face direct and indirect competition from a number of companies, including Corel. New image editing applications for mobile devices and tablets with features that compete with our professional products are also emerging as adoption of these devices grows. Our Adobe Photoshop products compete favorably due to high customer awareness of the Photoshop brand in digital imaging, the positive recommendations for our Photoshop product by market influencers, the features and technical capabilities of the product and our ability to leverage core features from our other established products.

Our other digital imaging and video editing offerings, including Adobe Photoshop Elements and Adobe Premiere Elements, are subject to intense competition, including customer price sensitivity, competitor brand awareness and competitor strength in OEM bundling and retail distribution. We face direct and indirect competition in the consumer digital imaging market from a number of companies that market software that competes with ours, including ACD Systems, AI Soft (Japan), Apple, ArcSoft, Corel, i4 (Japan), Google, Kodak, Nova Development, Magix, Microsoft, Photodex Corporation, Sonic (owned by Rovi), Pinnacle (owned by Avid) and Sony.

In addition, we face competition from device, hardware and camera manufacturers such as Apple, Canon, Dell, Hewlett-Packard, Nikon, Phase One, Sony and others as they try to differentiate their offerings by bundling, for free, their own digital imaging software, or those of our competitors. Similarly, we face potential competition from operating system manufacturers such as Apple with their iPhoto product and Microsoft as they integrate or offer hobbyist-level digital imaging and image management features with their operating systems. We also face potential competition from smartphone and tablet manufacturers that integrate imaging and video software into their devices to work with cameras that come as part of their smartphone and tablet offerings. In addition, new social networking platforms such as Facebook (including its Instagram offering) and portal sites such as Google and Yahoo! are becoming a direct means to post, edit and share images, bypassing the step of using image editing and sharing software.

Competition is also emerging with a new category of imaging and video applications on tablet and smartphone platforms. Existing as well as new competitors are extending their products and feature sets to platforms such as Apple's iPad and potentially other tablet devices. Similarly, new cloud-based SaaS offerings continue to emerge which offer image editing and video-editing capabilities, as well as social and sharing features. In addition to competing with our own mobile applications such as Photoshop Express, our Lightroom product and our Photoshop Elements and Adobe Premiere Elements hobbyist products, these products could start to encroach upon the feature sets of our professional tools.

Applications for digital video editing, motion graphics, special effects, audio creation and DVD authoring face increasing competition as video professionals and hobbyists migrate towards the use of digital camcorders and digital video production on their computers, and DVD systems and online video for rich media playback. Our After Effects, Adobe Audition, Encore and Adobe Premiere Pro software products, as well as the Adobe Creative Suite Production Premium edition which contains these products, face competition from companies such as Apple, Avid, Canopus (owned by Grass Valley), Sonic (owned by Rovi) and Sony.

Our Adobe Premiere Elements software product, which is targeted for use by hobbyists, faces competition from companies such as Apple, ArcSoft, Autodesk, Avid, Broderbund, Corel, Magix, Microsoft and Sony as well as video editing capabilities found in operating systems, hosted SaaS solutions, video editing solutions bundled by video camcorder manufacturers with their hardware offerings, and video editing solutions bundled onto smartphones. Similarly, we face potential competition from operating system manufacturers such as Apple with its iMovie and iDVD products and Microsoft with its Windows Movie Maker product as they integrate or offer hobbyist-level digital imaging and image management features with their operating systems.

We believe we compete favorably against other digital imaging, digital video and consumer-focused image management software applications with our Adobe Photoshop Elements and Adobe Premiere Elements products due to strong consumer awareness of our brand in digital imaging and digital video, our relationships with significant

OEMs, positive recommendations for our products by market influencers, our focus on the retail software channel and strong feature sets.

After Effects is a leader in professional compositing and visual effects due to its strong feature set and its integration with our other products that helps create a broad video editing platform for our customers. In professional digital video editing, we are an industry leader with Adobe Premiere Pro and compete favorably due to our strong feature set, our OEM relationships and the integration with our other products to create a broad digital video publishing platform for our customers.

With our Acrobat business, we continue to face competition from Microsoft. Their widely used Office product offers a feature to save Microsoft Office documents as PDF documents, which competes with Acrobat. They also offer a proprietary digital

## Table of Contents

rights management technology and a document format, called XML Paper Specification (“XPS”), which competes with Adobe PDF. Given Microsoft's market dominance, the PDF feature in Office, XPS, and any other competitive Microsoft product or technology that is bundled as part of its Office product or operating system or made freely available, could harm our overall Acrobat market opportunity.

Our Acrobat product family also faces competition in the PDF file creation market from many clone products marketed by companies such as AdLib, Active PDF, Apple, Global Graphics, Nuance, Software995, Sourceness and others. In addition, other PDF creation solutions can be found at a low cost, or for free, on the web.

For customers that use Acrobat as part of document collaboration and document process management solutions, where electronic document delivery, exchange, collaboration, security and archival needs exist, our Acrobat product family faces competition from entrenched office applications such as Microsoft Office and its integration with its SharePoint product. In the higher end of the electronic document market, Acrobat Pro and Acrobat Pro Extended provide features which compete with other creative professional PDF tool providers, such as Enfocus, Dalim and Zinio. Google's Google Apps set of products also provides document creation and collaboration capabilities, including the ability to preview PDF documents, which can be used as an alternative to our collaboration features in Acrobat.

To address these competitive threats, we are working to ensure our Adobe Acrobat applications stay at the forefront of innovation in emerging opportunities such as PDF document generation, document collaboration and document security.

### Digital Marketing

The markets in which our Digital Marketing business unit competes are growing rapidly and characterized by intense competition. Our Adobe Marketing Cloud solutions face competition from large companies such as Google, Yahoo!, Microsoft, Oracle, IBM, HP, salesforce.com and others, in addition to point product solutions and focused competitors. Additionally, new competitors are constantly entering these markets, increasing competition. Certain of these competitors provide software on demand to customers, generally through a web browser, or provide software that is installed by customers directly on their servers. In addition, we compete at times with our customers' or potential customers' internally developed applications. Of the competitors listed, no single company has products identical to our Digital Marketing offerings. Our Digital Marketing solutions compete in a variety of areas, including: reporting and analytics; multi-channel marketing and optimization; online and social marketing; web experience management and others.

In the market of Digital Marketing, we believe our creative tools heritage differentiates us from our competitors; we have worked closely with marketing and creative customers for thirty years. We also believe we have market leadership in the digital marketing market, with current customers representing leading brands in the world including markets such as financial services, global media, retail and auto manufacturing. Our comprehensive solution to serve the needs of customers in this market extends further than any other company addressing the opportunity; we integrate content and data, analytics, personalization, web experience management, campaign management and social capabilities in our Adobe Marketing Cloud, surpassing the features of any competitor. Most importantly, we provide a vision for our digital marketing customers as we engage with them across the important aspects of their business, extending from their use of our Creative Cloud, to how they manage, deliver, measure and monetize their content with our Adobe Marketing Cloud.

Our current principal competitors for our reporting and analytics offerings include companies that offer web analytics and optimization services on-demand such as ComScore (which recently acquired AdXpose and Certifica), Google, IBM (which owns Coremetrics, Unica and Tealeaf), Microsoft, WebTrends, Xiti and Yahoo!. We also compete with software and business intelligence vendors, such as Infor (which owns Epiphany), Nielsen/NetRatings (which is a part of the Nielsen Online Unit of the Nielsen Company) and SAS Institute. In addition, we also compete with online marketing service providers, such as DoubleClick (owned by Google), Microsoft Advertising (formerly aQuantive when acquired by Microsoft) and 24/7 Real Media (acquired by WPP). Our Insight products compete with channel analytics providers, such as AsterData (owned by Teradata), Clickfox, Netezza (owned by IBM), QlikTech and Truviso.

In addition to competing with large search, display and social companies, our AdLens products and multi-channel campaign management offerings, including those obtained through our acquisition of Efficient Frontier, compete with

point solutions providers such as Bluekai, Criteo, DecideDNA (owned by WPP), DoubleClick Search (owned by Google), IgnitionOne, Kenshoo and Marin Software.

Our Target solutions compete with multivariate testing providers, such as Kefta (owned by Acxiom Digital), Memetrics (owned by Accenture), Monetate, Optimizely, Optimost (owned by HP) and [x + 1]. Our Target products and solutions compete with intra-site search vendors and merchandising solutions providers such as Autonomy (owned by HP), Celebros, Endeca Technologies (owned by Oracle), FAST Search and Transfer ASA (owned by Microsoft), Fredhopper, Google, Nextopia Software and SLI Systems.

## Table of Contents

Our Adobe Social offerings compete primarily with social monitoring platforms such as Radian6 (owned by salesforce.com) and Visible Technologies, as well as with social marketing companies such as Buddy Media (owned by Salesforce.com), Lithium Technologies, Vitruve (owned by Oracle) and Wildfire (owned by Google).

Our Experience Manager solution competes with: general enterprise content platforms, including products from Documentum (owned by EMC), HP (which acquired Autonomy), IBM, OpenText, and Oracle (which acquired FatWire); content management tools like Microsoft SharePoint; large-scale WEM systems from companies such as Vignette (owned by OpenText); and more specialized solutions, including products from Alfresco, CoreMedia, Percussion, and SDL. In addition, there are low-cost and open source alternatives, such as Drupal, Joomla!, and WordPress.

Many of the companies with which we compete offer a variety of products or services and as a result could also bundle their products or services, which may result in these companies effectively selling their products or services at or below market prices. In addition, large software, internet and database management companies have expanded and enhanced their offerings in the digital marketing area, either by developing competing services or by acquiring existing competitors or strategic partners of ours. For example, Apple provides its iAd service, Google offers both a free and premium web analytics service and acquired DoubleClick, one of our strategic partners, in 2007. Also, Microsoft offers a web analytics service, and offers Microsoft Advertising, which is based on Microsoft's 2007 acquisition of aQuantive; Yahoo! also offers a web analytics service based on its acquisition of IndexTools; Salesforce.com acquired Buddy Media and Radian6 to provide services to monitor and analyze social media conversations; Oracle acquired Endeca Technologies, FatWire, Involver and Vitruve and has entered into a definitive agreement to acquire Eloqua, and HP acquired Autonomy (which had previously acquired Interwoven) to increase their presences in the digital marketing space; and IBM, with its Coremetrics and Unica acquisitions, has extended its e-retailing offering in an initiative it calls Project Northstar. These competitors, given their significant resources and preexisting relationships with our current and potential customers, could compete effectively against us.

We believe competitive factors in our markets include the proven performance, security, scalability, flexibility and reliability of services; the strategic relationships and integration with third-party applications; the intuitiveness and visual appeal of services' user interfaces; the low total cost of ownership and demonstrable cost-effective benefits to customers; the ability of services to provide N-dimensional segmentation of information; pricing; the flexibility and adaptability of services to match changing business demands; enterprise-level customer service and training; perceived market leadership; the usability of services, including services being easy to learn and remember, efficient and visually compelling; the real-time availability of data and reporting; independence from portals and search engines; the ability to deploy the services globally and to provide multi-currency, multi-language and multi-character support and to have a local presence in international markets; and success in educating customers in how to utilize services effectively. We believe that we compete favorably with both the enterprise and low-cost alternatives, based on many of these competitive factors including our strong feature set, the breadth of our offerings, our focus on global, multi-brand, multi-language websites, our superior user experience, tools for building multi-screen, multi-channel applications, standards-based architecture, scalability and performance and leadership in industry standards efforts.

Our web conferencing solution, Adobe Connect, faces competition from many web conferencing vendors, including Cisco WebEx, Microsoft Office Live Meeting (now a part of their Microsoft Lync offering), IBM Lotus Sametime and Citrix GoToMeeting (and their recent acquisition of NetViewer). Cisco WebEx is a market share leader, and Microsoft has steadily increased its marketing of its solution as well as acquired Skype which is a service that enables video calls via the internet. Microsoft has brought to market products and technologies to address many of the market needs we focus on with our LiveCycle family of products. Microsoft offers its eForms solution called InfoPath in certain versions of Microsoft Office and has added Office Forms Services which extends their forms to users as MS Outlook e-mail messages or to web browsers rather than the InfoPath client. They also continue to offer their Windows Rights Management Services in their Windows Server product which is designed to allow corporate networks to manage and enforce restrictions built into documents.

Certain Windows operating systems contain a proprietary digital rights management technology which competes with our LiveCycle Rights Management. In addition, Microsoft's Office product includes SharePoint which competes with

certain aspects of our LiveCycle products. Microsoft has also delivered technology called Windows Presentation Foundation and Silverlight which offers an alternative to building RIA applications within the Microsoft .NET framework.

In the electronic forms solution market, in addition to competition from Microsoft Infopath based solutions, we face competition from IBM through their eForms solution recently rebranded as Lotus Workplace Forms. Similarly, we face competition for document process management solutions from workflow solution vendors such as PegaSystems, Lombardi (owned by IBM), Nuance and Ultimus.

#### Print and Publishing

Our Print and Publishing product line targets many markets. In technical authoring and publishing, our Adobe FrameMaker product faces competition from large-scale electronic publishing systems, XML-based publishing companies such as PTC, as well

## Table of Contents

as lower-end desktop publishing products such as Microsoft Word. Competition is based on the quality and features of products, the level of customization and integration with other publishing system components, the number of hardware platforms supported, service and price. We believe we can successfully compete based upon the quality and features of the FrameMaker product and our extensive application programming interface.

In desktop publishing, our Adobe PageMaker product faces competition from other software products, including Microsoft Publisher. Competition is based on the quality and features of products, ease-of-use, printer service support and price. We believe we have a strong product and can successfully compete with these types of applications based upon the quality and features of the PageMaker product, its strong brand among users and its widespread adoption among printer service bureaus.

In printing technologies, we believe the principal competitive factors for OEMs in selecting a page description language or a printing technology are product capabilities, market leadership, reliability, price, support and engineering development assistance. We believe that our competitive advantages include our technology competency, OEM customer relationships and our intellectual property portfolio. Adobe PostScript faces competition from Hewlett-Packard's proprietary PCL page description language and from developers of other page description languages based on the PostScript language standard, including Global Graphics and Zoran. In addition, Microsoft's XPS document format and Autodesk's DWG format compete with Adobe PDF and our PostScript technologies and solutions.

In the eLearning authoring market, our Adobe eLearning Suite and our Adobe Captivate product face competition from general content development tools such as Microsoft PowerPoint, screen recording tools such as Techsmith's Camtasia and more advanced eLearning and software simulation solutions such as Firefly, Lectora and Articulate. Competition in this market is based on speed of development and completeness of the features of products, ease-of-use and price. We believe our product can successfully compete based upon the strength of its broad range of features, its strong brand among users and its widespread adoption among training developers.

Our Adobe Contribute product faces competition from solutions that provide for the simple creation of blogs and "Wikis," as well as basic content publishing products such as Microsoft Word, Microsoft FrontPage, Microsoft Notepad, basic HTML editors like ezHTMLArea and ekTron, and content management solutions similar to those with which our Day Web Experience Management solution competes. Competition in this market is based on usability, quality and features of products, the level of customization and integration with other WEM components, the integration with web design tools, the number of hardware platforms supported, service and price. We believe we can successfully compete based upon the usability and price of Contribute, its strong brand among users and integration with other WEM components.

In multimedia content authoring, our Adobe Director product faces competition from a variety of multimedia content authoring tools. Competition is based on the quality and features of products, ease-of-use and price. We believe we have a strong product and can successfully compete based upon the quality and features of the Director product, its strong brand among users, its widespread adoption among content developers and publishers and the widespread proliferation of the Adobe Shockwave Player.

In technical web authoring and publishing, our Adobe RoboHelp product faces competition from large-scale web publishing systems, XML-based web publishing companies, as well as lower-end publishing products such as Microsoft Word. Competition is based on the quality and features of products, the level of customization and integration with other publishing system components, service and price. We believe we can successfully compete based upon the quality and features of the RoboHelp product.

Our Adobe ColdFusion products face competition from major vendors including Microsoft, IBM and Oracle (via its BEA subsidiary and acquisition of Sun). Our ColdFusion products also compete with several technologies available today at no cost including the PHP and PERL programming environments that are available for the Apache web server.

## OPERATIONS

### Marketing and Sales

We market and distribute our products through sales channels, which include distributors, retailers, software developers, systems integrators, ISVs and VARs, as well as through OEM and hardware bundle customers. We also



market and license our products directly using our sales force and through our own website at [www.adobe.com](http://www.adobe.com). We support our end users through local field offices and our worldwide distribution network, which includes locations in Australia, Austria, Belgium, Brazil, Canada, China, Czech Republic, Denmark, Dubai, Finland, France, Germany, India, Ireland, Italy, Japan, Korea, Mexico, Moldova, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Turkey, Ukraine, the United Arab Emirates, the United Kingdom and the United States.

Table of Contents

We also license software with maintenance and support, which includes rights to upgrades, when and if available, support, updates and enhancements.

The table below lists our significant customer, as a percentage of net revenue for fiscal 2012, 2011 and 2010. Our significant customer is a distributor who sells products across our various segments.

	2012		2011		2010	
Ingram Micro	11	%	14	%	15	%

We have multiple non-exclusive, independently negotiated distribution agreements with Ingram Micro and its subsidiaries covering our arrangements in specified countries and regions. Each of these contracts has an independent duration, is independent of any other agreement (such as a master distribution agreement) and any termination of one agreement does not affect the status of any of the other agreements.

In fiscal 2012, no single customer was responsible for over 10% of our gross trade receivables. In fiscal 2011, Ingram Micro, Inc. represented 14% of our gross trade receivables.

#### Order Fulfillment for Physical Distribution

The procurement of the various components of packaged products, including DVDs and printed materials, and the assembly of packages for retail and other applications products is controlled by our supply chain operations organization. We outsource our production, inventory and fulfillment activities to third parties in the United States, EMEA and APAC.

To date, we have not experienced significant difficulties in obtaining raw materials for the manufacture of our products or in the replication of DVDs, printing and assembly of components.

Shippable backlog is comprised of unfulfilled orders, excluding those associated with new product releases, those pending credit review and those not shipped due to the application of our global inventory policy. We had minimal shippable backlog as of January 18, 2013 and January 20, 2012.

#### Services and Support

We provide professional services, technical support and customer service across all our customer segments, including enterprises, small/medium businesses, creative professionals, and consumers. Our service and support revenue consists primarily of consulting fees, software maintenance and support fees and training fees.

#### Services

We have a global professional services team dedicated to designing, developing and implementing solutions for enterprise customers in key vertical markets and to transfer technical expertise to our solution partners. The professional services team uses a comprehensive, customer-focused methodology to develop high quality solutions, which in turn deliver a competitive advantage to our enterprise customers. This methodology has been developed by capturing best practices from numerous client engagements across a diverse mix of solutions, industries, and customer preferences. Based on this methodology, our teams are able to accelerate the time to value and maximize the return our clients earn on their investment in Adobe solutions.

In addition, Adobe has also created a large and vibrant partner ecosystem that includes a mix of Global System Integrators (“SIs”), Regional SIs, VARs, and Solution Partners. Adobe invests significant resources in enabling this ecosystem with the right skills and knowledge about our technologies and best practices. Consequently, this ecosystem provides our clients several different choices of partners, and a large accessible pool of skilled resources that can help deploy Adobe solutions. This approach not only creates value for our customers and partners, but also creates a large and productive go-to-market channel for our sales teams.

#### Support

A significant portion of our support revenue is composed of our extended enterprise maintenance and support offerings. These offerings entitle customers to:

- the right to receive product upgrades and enhancements during the term of the maintenance and support period, which is typically one year;
- the right to receive technical support on the technology they have purchased from Adobe; and
- the right to receive basic “how to” help in using our products.



## Table of Contents

We offer a range of support programs, from fee-based incidents to annual support contracts. Additionally, we provide extensive self-help and online technical support capabilities via the web which allows customers quick and easy access to possible solutions. As a registered owner of the current version of an Adobe desktop product, customers are eligible to receive Getting Started support on certain matters. Support for some products and in some countries may vary.

We provide product support through a combination of outsourced vendors and internal support centers, and through multiple channels including phone, chat web, and email. These support services are delivered by a global support organization that includes several Regional and Global Support Centers. These teams are responsible for providing timely, high quality technical expertise on all our products.

We also offer Developer Support to partners and developer organizations. The Adobe Partner Connection Program focuses on providing developers with high-quality tools, software development kits, information and services.

### Training

We offer a comprehensive portfolio of training options to enable our customer and partner teams in the use of our products. Our training portfolio includes free on-line informational services on our website ([www.adobe.com](http://www.adobe.com)) and a growing series of how-to books published by Adobe Press pursuant to a joint publishing agreement with Peachpit Press. We sponsor workshops, work with professional associations and user groups, and conduct regular beta testing programs. We also provide fee-based education services to enhance our customers' use of our solutions, including a wide range of traditional and online training and certifications delivered by our team of training professionals. Adobe's portfolio of technical training courses covers our Digital Media, Digital Marketing and other mature products and solutions.

### Investments

We make direct investments in privately held companies. We enter into these investments with the intent of securing financial returns as well as for strategic purposes as they often increase our knowledge of emerging markets and technologies, as well as expand our opportunities to provide Adobe products and services. We also owned a limited partnership interest in Adobe Ventures IV L.P. ("Adobe Ventures") that invested in early stage companies with innovative technologies. During fiscal 2010, Adobe Ventures was dissolved and all remaining assets were distributed to the partners. Adobe Ventures was managed by Granite Ventures, an independent venture capital firm and sole general partner of Adobe Ventures.

## PRODUCT DEVELOPMENT

As the software industry is characterized by rapid technological change, a continuous high level of investment is required for the enhancement of existing products and services and the development of new products and services. We develop our software internally as well as acquire products or technology developed by others by purchasing the stock or assets of the business entity that owned the technology. In other instances, we have licensed or purchased the intellectual property ownership rights of programs developed by others with license or technology transfer agreements that may obligate us to pay a flat license fee or royalties, typically based on a dollar amount per unit shipped or a percentage of the revenue generated by those programs.

During fiscal years 2012, 2011 and 2010, our research and development expenses were \$742.8 million, \$738.1 million and \$680.3 million, respectively.

## PRODUCT PROTECTION

We regard our software as proprietary and protect it under the laws of copyrights, patents, trademarks and trade secrets. We have a number of domestic and foreign patents and pending applications that relate to various aspects of our products and technology. While we believe our patents have value, no single patent is material to us or to any of our reporting segments. We protect the source code of our software programs as trade secrets and make source code available to third parties only under limited circumstances and subject to specific security and confidentiality constraints. From time to time, we secure rights to third party intellectual property as we decide is beneficial to our business.

Our products are generally licensed to end users under one of the following two methods:

(1)

We offer many products on a “right to use” basis pursuant to a license that restricts the use of the products to a designated number of devices. We also rely on copyright laws and on “shrink wrap” and electronic licenses that are not physically signed by the end user. Copyright protection may be unavailable under the laws of certain countries and the enforceability of “shrink wrap” and electronic licenses has not been conclusively determined in all jurisdictions.

Table of Contents

We also offer products under a SaaS or on-demand model, where hosted software is provided on demand to (2) customers, generally through a web browser. The use of these products is generally governed by terms of use associated with these products.

Policing unauthorized use of computer software is difficult and software piracy is a persistent problem for the software industry. This problem is particularly acute in international markets. We conduct anti-piracy programs directly and through certain external software associations. In addition, we have activation technology in certain products to guard against illegal use and will continue to do so in certain future products.

**EMPLOYEES**

As of November 30, 2012, we employed 11,144 people. We have not experienced work stoppages and believe our employee relations are good.

**AVAILABLE INFORMATION**

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our Investor Relations website at [www.adobe.com/adbe](http://www.adobe.com/adbe) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information posted on our website is not incorporated into this report.

**EXECUTIVE OFFICERS**

Adobe's executive officers as of January 18, 2013 are as follows:

Name	Age	Positions
		President and Chief Executive Officer
Shantanu Narayen	49	Mr. Narayen currently serves as Adobe's President and Chief Executive Officer. Mr. Narayen joined Adobe in January 1998 as Vice President and General Manager of Adobe's engineering technology group. In January 1999, he was promoted to Senior Vice President, Worldwide Products and in March 2001 he was promoted to Executive Vice President, Worldwide Product Marketing and Development. In January 2005, Mr. Narayen was promoted to President and Chief Operating Officer and in December 2007, he was appointed Chief Executive Officer of Adobe and joined the Adobe Board of Directors. Prior to joining Adobe, Mr. Narayen co-founded Pictra Inc., a digital photo sharing software company, in 1996. He was Director of Desktop and Collaboration products at Silicon Graphics Inc. before founding Pictra. Mr. Narayen is also a director of Dell Inc. Executive Vice President, Chief Financial Officer
Mark Garrett	55	Mr. Garrett joined Adobe in February 2007 as Executive Vice President and Chief Financial Officer. Mr. Garrett served as Senior Vice President and Chief Financial Officer of the Software Group of EMC Corporation, a products, services and solutions provider for information management and storage, from June 2004 to January 2007, his most recent position since EMC's acquisition of Documentum, Inc., an enterprise content management company, in December 2003. Mr. Garrett first joined Documentum as Executive Vice President and Chief Financial Officer in 1997, holding that position through October 1999 and then re-joining Documentum as Executive Vice President and Chief Financial Officer in 2002. Mr. Garrett is also a director of Informatica Corporation.
Michael Dillon	54	Senior Vice President, General Counsel  Mr. Dillon joined Adobe in August 2012 as Senior Vice President, General Counsel and Corporate Secretary. Prior to joining Adobe, Mr. Dillon served as General Counsel and Corporate Secretary of Silver Spring Networks, a networking solutions provider, from November 2010 to August 2012. Before joining Silver Spring Networks, Mr. Dillon

served in various capacities at Sun Microsystems, a diversified computer networking company, prior to its acquisition by Oracle Corporation. While at Sun Microsystems, from April 2006 to January 2010, Mr. Dillon served as Executive Vice President, General Counsel and Secretary, from April 2004 to April 2006, as Senior Vice President, General Counsel and Corporate Secretary, and from July 2002 to March 2004 as Vice President, Products Law Group. From October 1999 until June 2002, Mr. Dillon served as Vice President, General Counsel and Corporate Secretary of ONI Systems Corp, an optical networking company.

Table of Contents

Name	Age	Positions
		Senior Vice President, Chief Technology Officer
Kevin Lynch	46	<p>Mr. Lynch currently serves as Adobe's Chief Technology Officer and Senior Vice President of the Experience &amp; Technology Organization. Mr. Lynch joined Adobe as Chief Software Architect and Senior Vice President for Adobe's Platform business unit through our acquisition of Macromedia, Inc. in December 2005. At Macromedia, Mr. Lynch served as Chief Software Architect and President of Product Development. Prior to Macromedia, Mr. Lynch participated in a variety of technical and management roles in startups including Frame Technology and General Magic.</p> <p>Senior Vice President and General Manager, Digital Marketing</p>
Bradley Rencher	39	<p>Mr. Rencher serves as Senior Vice President and General Manager of Adobe's Digital Marketing business unit. Mr. Rencher joined Omniture, Inc. in January 2008 as Vice President of Corporate Development and was promoted to Senior Vice President of Business Operations prior to Adobe's acquisition of Omniture in 2009. Following the acquisition he joined Adobe as Vice President of Business Operations. Mr. Rencher was promoted to Vice President and General Manager, Omniture business unit in 2010 and subsequently to Senior Vice President in 2011. Prior to joining Omniture, Mr. Rencher was a member of the technology investment banking team at Morgan Stanley from 2005 to 2008 and a member of the investment banking team at RBC Capital Markets from 1998 to 2004.</p> <p>Senior Vice President, Worldwide Field Operations</p>
Matthew Thompson	54	<p>Mr. Thompson joined Adobe in January 2006 as Senior Vice President, Worldwide Field Operations. Prior to joining Adobe, Mr. Thompson served as Senior Vice President of Worldwide Sales at Borland Software Corporation, a software delivery optimization solutions provider, from October 2003 to December 2006. Prior to joining Borland, Mr. Thompson was Vice President of Worldwide Sales and Field Operations for Marimba, Inc., a provider of products and services for software change and configuration management, from February 2001 to January 2003. From July 2000 to January 2001, Mr. Thompson was Vice President of Worldwide Sales for Calico Commerce, Inc., a provider of eBusiness applications. Prior to joining Calico, Mr. Thompson spent six years at Cadence Design Systems, Inc., a provider of electronic design technologies. While at Cadence, from January 1998 to June 2000, Mr. Thompson served as Senior Vice President, Worldwide Sales and Field Operations and from April 1994 to January 1998 as Vice President, Worldwide Professional Services.</p> <p>Senior Vice President and General Manager, Digital Media</p>
David Wadhwani	41	<p>Mr. Wadhwani serves as Senior Vice President and General Manager of Adobe's Digital Media business unit. Prior to June 2010, Mr. Wadhwani was Vice President and General Manager of Adobe's Platform business unit. He joined Adobe in 2005 through the acquisition of Macromedia. Prior to his time at Macromedia, Mr. Wadhwani founded and was VP of Engineering at iHarvest, a content management company that was acquired by Interwoven and worked at Oracle in their database tools division.</p>
Richard T. Rowley	56	Vice President, Corporate Controller and Principal Accounting Officer



Mr. Rowley joined Adobe in November 2006 as Vice President, Corporate Controller and Principal Accounting Officer. Prior to joining Adobe, Mr. Rowley served as Vice President, Corporate Controller, Treasurer and Principal Accounting Officer at Synopsys, Inc., a semiconductor design software company, from December 2002 to September 2005 and from 1999 to December 2002, Mr. Rowley served as Vice President, Corporate Controller and Principal Accounting Officer. From 1994 to 1999, Mr. Rowley served in several finance-related positions at Synopsys. Mr. Rowley is a certified public accountant.

## Table of Contents

### ITEM 1A. RISK FACTORS

As previously discussed, our actual results could differ materially from our forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed below. These and many other factors described in this report could adversely affect our operations, performance and financial condition. If we cannot continue to develop, market and offer new products and services or upgrades or enhancements to existing products and services that meet customer requirements, our operating results could suffer.

The process of developing new high technology products and services and enhancing existing products and services is complex, costly and uncertain; if we fail to anticipate customers' changing needs and emerging technological trends, our market share and results of operations could suffer. We must make long-term investments, develop or obtain appropriate intellectual property and commit significant resources before knowing whether our predictions will accurately reflect customer demand for our products and services. Our inability to extend our core technologies into new applications and new platforms, including the market for mobile, tablet and other IP-connected devices ("non-PC devices"), and to anticipate or respond to technological changes could affect continued market acceptance of our products and services and our ability to develop new products and services. Additionally, any delay in the development, production, marketing or offering of a new product or service or upgrade or enhancement to an existing product or service could cause a decline in our revenues, earnings or stock price and could weaken our competitive position. We maintain strategic relationships with third parties with respect to the distribution of certain of our technologies and the support of certain product functionality. If we are unsuccessful in establishing or maintaining our strategic relationships with these third parties, our ability to compete in the marketplace or to grow our revenues would be impaired and our operating results would suffer.

We offer our PC application-based products primarily on Windows and Macintosh platforms. To the extent that there is a continued slowdown of customer purchases of personal computers on either the Windows or Macintosh platform or in general, to the extent that we have difficulty transitioning product or version releases to new Windows and Macintosh operating systems, or to the extent that significant demand arises for our products or competitive products on other platforms before we choose and are able to offer our products on these platforms, our business could be harmed. To the extent new releases of operating systems, including for non-PC devices, or other third-party products, platforms or devices make it more difficult for our products to perform, and our customers are persuaded to use alternative technologies, our business could be harmed.

Introduction of new products, services and business models by existing and new competitors could harm our competitive position and results of operations.

The markets for our products and services are characterized by intense competition, evolving industry standards, emerging business and distribution models, disruptive software and hardware technology developments, frequent new product and service introductions, including limited functionality alternatives available at lower costs or free of charge, short product and service life cycles and price sensitivity on the part of consumers, all of which may result in downward pressure on pricing and gross margins and could adversely affect our renewal and upgrade rates. Our future success will depend on our ability to enhance our existing products and services, introduce new products and services on a timely and cost-effective basis, meet changing customer needs, extend our core technology into new applications, and anticipate and respond to emerging standards, business models, software delivery methods and other technological changes, such as the evolution and emergence of digital application marketplaces as a direct sales and software delivery environment. These digital application marketplaces often have exclusive distribution for certain platforms, which may make it more difficult for us to compete in these markets. If any competing products, services, or operating systems achieve widespread acceptance, our operating results could suffer. In addition, consolidation has occurred among some of the competitors in the markets in which we compete. Further consolidations in these markets may subject us to increased competitive pressures and may therefore harm our results of operations.

For additional information regarding our competition and the risks arising out of the competitive environment in which we operate, see the section entitled "Competition" contained in Item 1 of this Annual Report on Form 10-K. If we fail to successfully manage transitions to new business models and markets, our results of operations could be negatively impacted.

We plan to release numerous new product and service offerings and employ new software delivery methods in connection with our diversification into new business models and markets. It is uncertain whether these strategies will prove successful or whether we will be able to develop the necessary infrastructure and business models more quickly than our competitors. Market acceptance of these new product and service offerings will be dependent on our ability to (1) include functionality and usability in such releases that address certain customer requirements with which our operating history is not extensive, and (2) to optimally price our products in light of marketplace conditions, our costs and consumer demand. Some of these new product and service offerings could subject us to increased risk of legal liability related to the provision of services as well as cause us to incur significant

## Table of Contents

technical, legal or other costs. For example, with our introduction of on-demand or cloud-based services and subscription-based licensing models, such as Creative Cloud, we are entering markets that are not yet fully mature. Market acceptance of such services is affected by a variety of factors, including security, reliability, performance, social/community engagement, customer concerns with entrusting a third party to store and manage their data, public concerns regarding privacy and the enactment of laws or regulations that restrict our ability to provide such services to customers in the U.S. or internationally.

Additionally, customer requirements for open standards or open-source products could impact adoption or use of some of our products or services. To the extent we incorrectly predict customer requirements for such products or services, or if there is a delay in market acceptance of such products or services, our business could be harmed.

From time to time we open source certain of our technology initiatives, provide broader open access to our technology, license certain of our technology on a royalty-free basis, and release selected technology for industry standardization. These changes may have negative revenue implications and make it easier for our competitors to produce products or services similar to ours. If we are unable to respond to these competitive threats, our business could be harmed.

We are also devoting significant resources to the development of technologies and service offerings in markets where our operating history is not extensive, including cloud-based computing and non-PC device markets. These new offerings and markets require a considerable investment of technical, financial, compliance and sales resources, and a scalable organization. Many of our competitors may have advantages over us due to their larger presence, larger developer network, deeper experience in the cloud-based computing and non-PC device markets, and greater sales, consulting and marketing resources. If we are unable to successfully establish these new offerings in light of the competitive environment, our results of operations could be negatively impacted.

The increased emphasis on a cloud strategy may give rise to risks that could harm our business.

To accelerate the growth of our business, we launched our subscription-based Creative Cloud offering in fiscal 2012. As a result, we expect to derive an increasing portion of our revenues in the future from subscriptions to our creative tools and cloud-based offerings. This subscription model prices and delivers our products in a way that differs from the historical pricing and delivery methods of our creative tools. These changes reflect a shift from perpetual license sales and distribution of our software in favor of providing our customers the right to access certain of our software in a hosted environment or use downloaded software for a specified subscription period. As our customers' purchases trend away from perpetual licenses toward subscriptions, we are experiencing and will continue to experience a deferral of revenues and cash received from customers. This cloud strategy requires continued investment in product development and cloud operations, and may give rise to a number of risks, including the following:

- if new or current customers desire only perpetual licenses, our subscription sales may lag behind expectations;
- the increased emphasis on a cloud strategy may raise concerns among our installed perpetual license customer base;
  - we may be unsuccessful in maintaining our target pricing, new seat adoption and projected renewal rates, or we may select a target price that is not optimal and could negatively affect our sales or earnings;
- our revenues are expected to decline over the short term and may decline over the long term as a result of this strategy;
- our shift to a subscription licensing model may result in confusion among our customers, partners, resellers and investors;
- our relationships with existing partners that resell perpetual license products may be damaged; and
- we may incur costs at a higher than forecasted rate as we expand our cloud operations.

Revenue from our product and service offerings may be difficult to predict.

As previously discussed, we are devoting significant resources to the development of product and service offerings as well as new distribution models where our operating history is not extensive. As our traditional perpetual license business shifts toward our subscription licensing model, our perpetual license revenue may decline more quickly than anticipated. Under a subscription model, downturns or upturns in sales may not be immediately reflected in our reported financial results. Subscription pricing allows customers to use our products at a lower initial cost when compared to the sale of a perpetual license. Although the subscription model is designed to increase the number of customers who purchase our products and services and create a recurring revenue stream that is more predictable, it

creates certain risks related to the timing of revenue recognition and reduced cash flows.

As a result, a portion of the subscription-based revenue we report each quarter results from the recognition of deferred revenue relating to subscription agreements entered into during previous quarters. A decline in new or renewed subscriptions in any period may not be immediately reflected in our reported financial results for that period, but may result in a decline in our

## Table of Contents

revenue in future quarters. If we were to experience significant downturns in subscription sales and renewal rates, our reported financial results might not reflect such downturns until future periods. A subscription model could also make it difficult for us to rapidly increase our revenues from subscription- or SaaS-based services through additional sales in any period, as revenue from new customers will be recognized over the applicable subscription term. Further, any increases in sales under our subscription sales model could result in decreased revenues over the short term if they are offset by a decline in sales from perpetual license customers.

Additionally, in connection with our sales efforts to enterprise customers and our introduction of enterprise term license agreements, a number of factors could make our revenue less predictable, including longer than expected sales and implementation cycles, decisions to open source certain of our technology initiatives, potential deferral of revenue due to multiple-element revenue arrangements and alternate licensing arrangements. If any of our assumptions about revenue from our new businesses or our addition of a subscription-based model prove incorrect, our actual results may vary materially from those anticipated, estimated or projected.

We may be unable to predict subscription renewal or upgrade rates and the impact these rates may have on our future revenue and operating results.

The SaaS business model we utilize in our Adobe Marketing Cloud offerings typically involves selling services on a subscription basis pursuant to service agreements that are generally one to three years in length, our Creative Cloud subscription agreements are generally month to month or one year in length, and subscription agreements for other products and services may provide for shorter or longer terms. Although many of our service and subscription agreements contain automatic renewal terms, our customers have no obligation to renew their subscriptions for our services after the expiration of their initial subscription period, and some customers elect not to renew. We cannot provide assurance that these subscriptions will be renewed at the same or higher level of service, for the same number of seats or for the same duration of time, if at all. Moreover, under certain circumstances, some of our customers have the right to cancel their service agreements prior to the expiration of the terms of their agreements. We cannot be assured that we will be able to accurately predict future customer renewal rates. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction or dissatisfaction with our services, the prices of our services, the prices of services offered by our competitors, mergers and acquisitions affecting our customer base, reductions in our customers' spending levels, or declines in consumer activity as a result of economic downturns or uncertainty in financial markets. If our customers do not renew their subscriptions for our services or if they renew on less favorable terms to us, our revenues may decline.

Our future growth is also affected by our ability to sell additional features and services to our current customers, which depends on a number of factors, including our customers' satisfaction with our services, the prices of our services and general economic conditions. If our efforts to cross-sell and upsell to our customers are unsuccessful, the rate at which our business grows might decline.

Uncertainty about current and future economic conditions and other adverse changes in general political conditions in any of the major countries in which we do business could adversely affect our operating results.

As our business has grown, we have become increasingly subject to the risks arising from adverse changes in economic and political conditions, both domestically and globally. Uncertainty about current and future economic and political conditions on us, our customers, suppliers and partners, makes it difficult for us to forecast operating results and to make decisions about future investments. If economic growth in the U.S., Europe and other countries slows or does not improve, or if the U.S., Europe or other countries in which we do business experience further economic recessions, many customers may delay or reduce technology purchases, advertising spending or marketing spending. This could result in reductions in sales of our products and services, longer sales cycles, slower adoption of new technologies and increased price competition. Deterioration in economic conditions in any of the countries in which we do business could also cause slower or impaired collections on accounts receivable, which may adversely impact our liquidity and financial condition.

There could be a number of effects from a financial institution credit crisis on our business, which could include impaired credit availability and financial stability of our customers, including our distribution partners and channels. A disruption in the financial markets may also have an effect on our derivative counterparties and could also impair our banking partners on which we rely for operating cash management. Any of these events would likely harm our

business, results of operations and financial condition.

Political instability in any of the major countries in which we do business would also likely harm our business, results of operations and financial condition.

## Table of Contents

We may not realize the anticipated benefits of past or future acquisitions, and integration of these acquisitions may disrupt our business and management.

We have in the past and may in the future acquire additional companies, products or technologies. We acquired Omniture in October 2009, Day Software (“Day”) in October 2010 and Efficient Frontier in January 2012, as well as other smaller business and asset acquisitions. We may not realize the anticipated benefits of an acquisition, each of which involves numerous risks. These risks include:

- difficulty in integrating the operations and personnel of the acquired company;
- difficulty in effectively integrating the acquired technologies, products or services with our current technologies, products or services;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- entry into markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;
- disruption of our ongoing business and distraction of our management and employees from other opportunities and challenges;
- difficulty integrating the acquired company’s accounting, management information, human resources and other administrative systems;
- inability to retain personnel of the acquired business;
- inability to retain key customers, distributors, vendors and other business partners of the acquired business;
- inability to achieve the financial and strategic goals for the acquired and combined businesses;
- inability to take advantage of anticipated tax benefits as a result of unforeseen difficulties in our integration activities;
- incurring acquisition-related costs or amortization costs for acquired intangible assets that could impact our operating results;
- potential additional exposure to fluctuations in currency exchange rates;
- potential impairment of our relationships with employees, customers, partners, distributors or third-party providers of our technologies, products or services;
- potential failure of the due diligence processes to identify significant problems, liabilities or other shortcomings or challenges of an acquired company or technology, including but not limited to, issues with the acquired company’s intellectual property, product quality or product architecture, data back-up and security (including security from cyber-attacks), privacy practices, revenue recognition or other accounting practices, employee, customer or partner issues or legal and financial contingencies;
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition, including but not limited to, claims from terminated employees, customers, former stockholders or other third parties;
- incurring significant exit charges if products or services acquired in business combinations are unsuccessful;
- potential inability to assert that internal controls over financial reporting are effective;
- potential inability to obtain, or obtain in a timely manner, approvals from governmental authorities, which could delay or prevent such acquisitions;
- potential delay in customer and distributor purchasing decisions due to uncertainty about the direction of our product and service offerings; and
- potential incompatibility of business cultures.



## Table of Contents

Mergers and acquisitions of high technology companies are inherently risky, and ultimately, if we do not complete an announced acquisition transaction or integrate an acquired business successfully and in a timely manner, we may not realize the benefits of the acquisition to the extent anticipated.

We may incur substantial costs enforcing or acquiring intellectual property rights and defending against third-party claims as a result of litigation or other proceedings.

In connection with the enforcement of our own intellectual property rights, the acquisition of third-party intellectual property rights, or disputes relating to the validity or alleged infringement of third-party intellectual property rights, including patent rights, we have been, are currently and may in the future be subject to claims, negotiations or complex, protracted litigation. Intellectual property disputes and litigation are typically very costly and can be disruptive to our business operations by diverting the attention and energies of management and key technical personnel. Although we have successfully defended or resolved past litigation and disputes, we may not prevail in any ongoing or future litigation and disputes. Third-party intellectual property disputes, including those emanating from non-practicing entities, could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from licensing certain of our products or offering certain of our services, subject us to injunctions restricting our sale of products or services, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments with our customers including contractual provisions under various license arrangements and service agreements. In addition, we may incur significant costs in acquiring the necessary third-party intellectual property rights for use in our products. Any of these occurrences could seriously harm our business.

We may not be able to protect our intellectual property rights, including our source code, from third-party infringers or unauthorized copying, use or disclosure.

Although we defend our intellectual property rights and combat unlicensed copying, access and use of software and intellectual property through a variety of techniques, preventing unauthorized use or infringement of our rights is inherently difficult. We actively combat software piracy as part of our enforcement of our intellectual property rights, but we nonetheless lose significant revenue due to illegal use of our software. If piracy activities increase, it may further harm our business.

Additionally, we take significant measures to protect the secrecy of our confidential information and trade secrets, including our source code. If unauthorized disclosure of our source code occurs through security breach, attack or otherwise, we could potentially lose future trade secret protection for that source code. The loss of future trade secret protection could make it easier for third parties to compete with our products by copying functionality, which could adversely affect our revenue and operating margins. We also seek to protect our confidential information and trade secrets through the use of non-disclosure agreements with our customers, contractors, vendors and partners. However, there is a risk that our confidential information and trade secrets may be disclosed or published without our authorization, and in these situations it may be difficult and/or costly for us to enforce our rights.

Increasing regulatory focus on privacy issues and expanding laws and regulations could impact our new business models and expose us to increased liability.

Our new business models are more highly regulated, including for privacy and data security. We are also expanding these new models in countries that have more stringent data protection laws than those in the U.S. With these new business models, our liability exposure, compliance requirements and costs associated with privacy issues will likely increase. Privacy laws globally are changing and evolving. Governments, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share or transmit personal data. New laws and industry self-regulatory codes have been enacted and more are being considered that may affect our ability to reach current and prospective consumers, to understand how our products and services are being used, to respond to consumer requests allowed under the laws, and to implement our new business models effectively. These new laws and regulations would similarly affect our competitors as well as our customers. Any perception of our practices or products as an invasion of privacy, whether or not consistent with current regulations and industry practices, may subject us to public criticism, class action lawsuits, reputational harm or claims by regulators, industry groups or other third parties, all of which could disrupt our business and expose us to increased liability.

On behalf of certain of our customers using some of our services, we collect and store information derived from the activities of website visitors, which may include anonymous and/or personal information. This enables us to provide such customers with reports on aggregated anonymous or personal information from and about the visitors to their websites in the manner specifically directed by each such individual customer. Federal, state and foreign governments and agencies have adopted or are considering adopting laws regarding the collection, use and disclosure of this information. Our compliance with privacy laws and regulations and our reputation among the public body of website visitors depend on such customers' adherence to privacy laws and regulations and their use of our services in ways consistent with such visitors' expectations. We also rely on representations made to us by customers that their own use of our services and the information they provide to us via our services do not violate any applicable privacy laws, rules and regulations or their own privacy policies. We ask customers to represent to us that they provide their website

## Table of Contents

visitors the opportunity to “opt-out” of the information collection associated with our services, as applicable. We do not formally audit such customers to confirm compliance with these representations. If these representations are false or if such customers do not otherwise comply with applicable privacy laws, we could face potentially adverse publicity and possible legal or other regulatory action. In addition, some countries are considering enacting laws that would expand the scope of privacy-related obligations required of service providers, such as Adobe, that would require additional compliance expense and increased liability.

Security vulnerabilities in our products and systems could lead to reduced revenues or to liability claims.

Maintaining the security of our products, computers and networks is a critical issue for us and our customers. Security researchers, criminal hackers and other third parties regularly develop new techniques to penetrate computer and network security measures. In addition, hackers also develop and deploy viruses, worms and other malicious software programs, some of which may be specifically designed to attack our products, systems, computers or networks.

Additionally, outside parties may attempt to fraudulently induce our employees or users of our products to disclose sensitive information in order to gain access to our data or our customers’ data. These potential breaches of our security measures and the accidental loss, inadvertent disclosure or unauthorized dissemination of proprietary information or sensitive, personal or confidential data about us, our employees or our customers, including the potential loss or disclosure of such information or data as a result of hacking, fraud, trickery or other forms of deception, could expose us, our employees, our customers or the individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability or fines for us, damage our brand and reputation or otherwise harm our business.

Although these are industry-wide problems that affect computers and products across all platforms, they affect our products in particular because hackers tend to focus their efforts on the most popular operating systems and programs and we expect them to continue to do so. Critical vulnerabilities may be identified in certain of our applications. These vulnerabilities could cause such applications to crash and could potentially allow an attacker to take control of the affected system, which could result in liability to us or limit our ability to conduct our business and deliver our products and services to customers. We devote significant resources to address security vulnerabilities through engineering more secure products, enhancing security and reliability features in our products and systems, code hardening, conducting rigorous penetration tests, deploying security updates to address security vulnerabilities and improving our incident response time. The cost of these steps could reduce our operating margins. Despite these efforts, actual or perceived security vulnerabilities in our products and systems may lead to claims against us and harm our reputation, and could lead some customers to seek to return products, to stop using certain services, to reduce or delay future purchases of products or services, or to use competing products or services. Customers may also increase their expenditures on security measures designed to protect their existing computer systems from attack, which could delay adoption of new technologies. Further, if we or our customers are subject to an attack, or our technology is utilized in a third-party attack, it may be necessary for us to take certain measures and make certain expenditures to take appropriate responsive and preventative steps. Any of these actions by customers could adversely affect our revenues.

Some of our lines of business rely on us or our third-party service providers to host and deliver services and data, and any interruptions or delays in these hosted services, security or privacy breaches, or failures in data collection could expose us to liability and harm our business and reputation.

Some of our lines of business and services, including our online store at adobe.com, our Creative Cloud offering, our hosted Digital Media offerings and our Adobe Marketing Cloud offerings, rely on services hosted and controlled directly by us or by third parties. Because we hold large amounts of customer data, some of which is hosted in third-party facilities, a security incident may compromise the confidentiality, integrity or availability of customer data. Unauthorized access to customer data may be obtained through break-ins, breach of our secure network by an unauthorized party, employee theft or misuse, or other misconduct. It is also possible that unauthorized access to customer data may be obtained through inadequate use of security controls by customers. While our products and services provide and support strong password controls, IP restriction and account controls, their use is controlled by the customer. As such, this could allow accounts to be created with weak passwords, which could result in allowing an attacker to gain access to customer data. Additionally, failure by customers to remove accounts of their own

employees, or granting of accounts by the customer in an uncontrolled manner, may allow for access by former or unauthorized customer employees. If there were ever an inadvertent disclosure of personal information, or if a third party were to gain unauthorized access to the personal information we possess on behalf of our customers, our operations could be disrupted, our reputation could be harmed and we could be subject to claims or other liabilities. In addition, such perceived or actual unauthorized disclosure of the information we collect or breach of our security could damage our reputation, result in the loss of customers and harm our business.

Because of the large amount of data that we collect and manage on behalf of our customers, it is possible that hardware or software failures or errors in our systems (or those of our third-party service providers) could result in data loss or corruption or cause the information that we collect to be incomplete or contain inaccuracies that our customers regard as significant. Furthermore, our ability to collect and report data may be delayed or interrupted by a number of factors, including access to the internet, the

## Table of Contents

failure of our network or software systems, security breaches or significant variability in visitor traffic on customer websites. In addition, computer viruses may harm our systems causing us to lose data, and the transmission of computer viruses could expose us to litigation. We may also find, on occasion, that we cannot deliver data and reports to our customers in near real time because of a number of factors, including significant spikes in consumer activity on their websites or failures of our network or software. We may be liable to our customers for damages they may incur resulting from these events, such as loss of business, loss of future revenues, breach of contract or for the loss of goodwill to their business. In addition to potential liability, if we supply inaccurate information or experience interruptions in our ability to capture, store and supply information in near real time or at all, our reputation could be harmed and we could lose customers.

Failure to manage our sales and distribution channels and third-party customer service and technical support providers effectively could result in a loss of revenue and harm to our business.

A significant amount of our revenue for application products is from one distributor, Ingram Micro, Inc., which represented 11% of our net revenue for fiscal 2012. We have multiple non-exclusive, independently negotiated distribution agreements with Ingram Micro and its subsidiaries covering our arrangements in specified countries and regions. Each of these contracts has an independent duration, is independent of any other agreement (such as a master distribution agreement) and any termination of one agreement does not affect the status of any of the other agreements. In fiscal 2012, no single agreement with this distributor was responsible for over 5% of our total net revenue. If any one of our agreements with this distributor were terminated, we believe we could make arrangements with new or existing distributors to distribute our products without a substantial disruption to our business; however, any prolonged delay in securing a replacement distributor could have a negative short-term impact on our results of operations.

Successfully managing our indirect channel efforts to reach various potential customer segments for our products and services is a complex process across the broad range of geographies where we do business. Our distributors and other channel partners are independent businesses that we do not control. Notwithstanding the independence of our channel partners, we face potential legal risk and reputational harm from the activities of these third parties including, but not limited to, export control violations, workplace conditions, corruption and anti-competitive behavior. Although we have undertaken efforts to reduce these third-party risks, they remain present. We cannot be certain that our distribution channel will continue to market or sell our products effectively. If our distribution channel is not successful, we may lose sales opportunities, customers and revenues.

Our distributors also sell our competitors' products, and if they favor our competitors' products for any reason, they may fail to market our products as effectively or to devote resources necessary to provide effective sales, which would cause our results to suffer. We also distribute some products through our OEM channel, and if our OEMs decide not to bundle our applications on their devices, our results could suffer.

In addition, the financial health of our distributors and our continuing relationships with them are important to our success. Some of these distributors may be adversely impacted by changes to our business model and practices, such as our launch of Creative Cloud, including our release of Creative Cloud offerings for teams and enterprises, or unable to withstand adverse changes in current economic conditions, which could result in insolvency and/or the inability of such distributors to obtain credit to finance purchases of our products. In addition, weakness in the end-user market could further negatively affect the cash flows of our distributors who could, in turn, delay paying their obligations to us, which would increase our credit risk exposure. Our business could be harmed if the financial condition of some of these distributors substantially weakened and we were unable to timely secure replacement distributors.

We also sell certain of our products and services through our direct sales force. Risks associated with this sales channel include longer sales and collection cycles associated with direct sales efforts, challenges related to hiring, retaining and motivating our direct sales force, and substantial amounts of training for sales representatives, including regular updates to cover new and upgraded systems, products and services. Moreover, our recent hires and sales personnel added through our recent business acquisitions may not become as productive as we would like, as in most cases it takes a significant period of time before they achieve full productivity. Our business could be seriously harmed if these expansion efforts do not generate a corresponding significant increase in revenues and we are unable to achieve the efficiencies we anticipate. In addition, the loss of key sales employees could impact our relationships

and future ability to sell to certain of these accounts covered by such employees.

We also provide products and services, directly and indirectly, to a variety of governmental entities, both domestically and internationally. Risks associated with licensing and selling products and services to governmental entities include longer sales cycles associated with selling to diverse governmental entities, varying governmental budgeting processes and timelines and adherence to potentially complex specific procurement regulations and other requirements.

Ineffectively managing these risks could result in the potential assessment of penalties and fines, harm to our reputation and lost sales opportunities to such governmental entities.

## Table of Contents

We outsource a substantial portion of our customer service and technical support activities to third-party service providers. We rely heavily on these third-party customer service and technical support representatives working on our behalf and we expect to continue to rely heavily on third parties in the future. This strategy provides us with lower operating costs and greater flexibility, but also presents risks to our business, including the possibilities that we may not be able to influence the quality of support that we provide as directly as we would be able to do in our own company-run call centers, and that our customers may react negatively to providing information to, and receiving support from, third-party organizations, especially if based overseas. If we encounter problems with our third-party customer service and technical support providers, our reputation may be harmed and our revenue may be adversely affected.

Catastrophic events may disrupt our business.

We are a highly automated business and rely on our network infrastructure and enterprise applications, internal technology systems and our website for our development, marketing, operational, support, hosted services and sales activities. In addition, some of our businesses rely on third-party hosted services and we do not control the operation of third-party data center facilities serving our customers from around the world, which increases our vulnerability. A disruption, infiltration or failure of these systems or third-party hosted services in the event of a major earthquake, fire, flood, power loss, telecommunications failure, software or hardware malfunctions, cyber-attack, war, terrorist attack or other catastrophic event could cause system interruptions, reputational harm, loss of intellectual property, delays in our product development, lengthy interruptions in our services, breaches of data security and loss of critical data and could prevent us from fulfilling our customers' orders. Our corporate headquarters, a significant portion of our research and development activities, certain of our data centers and certain other critical business operations are located in the San Francisco Bay Area, and additional facilities where we conduct significant operations are located in the Salt Lake Valley Area, both of which are near major earthquake faults. We have developed certain disaster recovery plans and backup systems to reduce the potentially adverse effect of such events, but a catastrophic event that results in the destruction or disruption of any of our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be adversely affected.

Net revenue, margin or earnings shortfalls or the volatility of the market generally may cause the market price of our stock to decline.

The market price for our common stock has experienced significant fluctuations and may continue to fluctuate significantly. A number of factors may affect the market price for our common stock, including:

- shortfalls in our revenue, margins, earnings or key performance metrics;
- confusion on the part of industry analysts and investors about the long-term impact to our business resulting from our subscription offerings;
- shortfalls in the number of paid, active Creative Cloud subscribers and ARR;
- changes in estimates or recommendations by securities analysts;
- the announcement of new products, product enhancements or service introductions by us or our competitors;
- seasonal variations in the demand for our products and services and the implementation cycles for our new customers;
- the loss of a large customer or our inability to increase sales to existing customers and attract new customers;
- variations in our or our competitors' results of operations, changes in the competitive landscape generally and developments in our industry; and
- unusual events such as significant acquisitions, divestitures, litigation, general socio-economic, regulatory, political or market conditions and other factors, including factors unrelated to our operating performance.

We are subject to risks associated with compliance with laws and regulations globally which may harm our business. We are a global company subject to varied and complex laws, regulations and customs domestically and internationally. These laws and regulations relate to a number of aspects of our business, including trade protection, import and export control, data and transaction processing security, records management, employee data privacy, user-generated content hosted on websites we operate, corporate governance, employee and third-party complaints, gift policies, conflicts of interest, employment and labor relations laws, securities regulations and other regulatory requirements affecting trade and investment. The application of these laws and regulations to our business is often

unclear and may at times conflict. Compliance with these laws and regulations may involve significant costs or require changes in our business practices that result in reduced revenue and profitability. Non-compliance



## Table of Contents

could also result in fines, damages, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation. We incur additional legal compliance costs associated with our global operations and could become subject to legal penalties if we fail to comply with local laws and regulations in U.S. jurisdictions or in foreign countries, which laws and regulations may be substantially different from those in the U.S. In many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by U.S. regulations applicable to us such as the Foreign Corrupt Practices Act. Although we implement policies and procedures designed to ensure compliance with these laws, there can be no assurance that all of our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, including those based in or from countries where practices that violate such U.S. laws may be customary, will not take actions in violation of our internal policies. Any such violation, even if prohibited by our internal policies, could have an adverse effect on our business.

As a global business that generates approximately 50% of our total revenue from sales to customers outside of the Americas, we are subject to a number of risks, including:

- foreign currency fluctuations;
- changes in government preferences for software procurement;
- international economic, political and labor conditions;
- tax laws (including U.S. taxes on foreign subsidiaries);
- increased financial accounting and reporting burdens and complexities;
- unexpected changes in, or impositions of, legislative or regulatory requirements;
- failure of laws to protect our intellectual property rights adequately;
- inadequate local infrastructure and difficulties in managing and staffing international operations;
- delays resulting from difficulty in obtaining export licenses for certain technology, tariffs, quotas and other trade barriers and restrictions;
- the imposition of governmental economic sanctions on countries in which we do business or where we plan to expand our business;
- transportation delays;
- operating in locations with a higher incidence of corruption and fraudulent business practices; and
- other factors beyond our control, including terrorism, war, natural disasters and pandemics.

If sales to any of our customers outside of the Americas are delayed or canceled because of any of the above factors, our revenue may be negatively impacted.

In addition, approximately 48% of our employees are located outside the U.S. Accordingly, we are exposed to changes in laws governing our employee relationships in various U.S. and foreign jurisdictions, including laws and regulations regarding wage and hour requirements, fair labor standards, employee data privacy, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll and other taxes, which likely would have a direct impact on our operating costs. We also intend to continue expansion of our international operations and international sales and marketing activities. Expansion in international markets has required, and will continue to require, significant management attention and resources. We may be unable to scale our infrastructure effectively or as quickly as our competitors in these markets, and our revenues may not increase to offset these expected increases in costs and operating expenses, which would cause our results to suffer.

We may incur losses associated with currency fluctuations and may not be able to effectively hedge our exposure. Our operating results are subject to fluctuations in foreign currency exchange rates. We attempt to mitigate a portion of these risks through foreign currency hedging, based on our judgment of the appropriate trade-offs among risk, opportunity and expense. We have established a hedging program to partially hedge our exposure to foreign currency exchange rate fluctuations for various currencies. If the foreign currency hedging markets are negatively affected by clearing and trade execution regulations imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the cost of hedging our foreign exchange exposure could increase.

## Table of Contents

We regularly review our hedging program and make adjustments as necessary based on the judgment factors discussed above. Our hedging activities may not offset more than a portion of the adverse financial impact resulting from unfavorable movement in foreign currency exchange rates, which could adversely affect our financial condition or results of operations.

We have issued \$1.5 billion of notes in a debt offering and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

In the first quarter of fiscal 2010, we issued \$1.5 billion in senior unsecured notes. We also have a \$1.0 billion revolving credit facility, which is currently undrawn. Although we have no current plans to request any advances under this credit facility, we may use the proceeds of any future borrowing for general corporate purposes, or for future acquisitions or expansion of our business.

This debt may adversely affect our financial condition and future financial results by, among other things: requiring the dedication of a portion of our expected cash from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures and acquisitions; and

limiting our flexibility in planning for, or reacting to, changes in our business and our industry.

Our senior unsecured notes and revolving credit facility impose restrictions on us and require us to maintain compliance with specified covenants. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the lenders or noteholders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable.

In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities. Under certain circumstances, if our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our revolving credit facility could increase. Downgrades in our credit ratings could also restrict our ability to obtain additional financing in the future and could affect the terms of any such financing.

Changes in, or interpretations of, accounting principles could have a significant impact on our financial position and results of operations.

We prepare our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. A change in these principles can have a significant effect on our reported results and may even retroactively affect previously reported transactions.

For example, the U.S.-based Financial Accounting Standards Board ("FASB") is currently working together with the International Accounting Standards Board ("IASB") on several projects to further align accounting principles and facilitate more comparable financial reporting between companies who are required to follow GAAP under SEC regulations and those who are required to follow International Financial Reporting Standards outside of the U.S. These efforts by the FASB and IASB may result in different accounting principles under GAAP that may result in materially different financial results for us in areas including, but not limited to, principles for recognizing revenue and lease accounting.

If our goodwill or amortizable intangible assets become impaired we may be required to record a significant charge to earnings.

Under GAAP, we review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. GAAP requires us to test for goodwill impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include a decline in stock price and market capitalization, future cash flows and slower growth rates in our industry. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, resulting in an impact on our results of operations.

Changes in, or interpretations of, tax rules and regulations may adversely affect our effective tax rates.

We are a United States-based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. A significant portion of our foreign earnings for the current fiscal year were earned by our Irish subsidiaries. In addition

to providing for U.S. income taxes on earnings from the United States, we provide for U.S. income taxes on the earnings of foreign subsidiaries unless the subsidiaries' earnings are considered permanently reinvested outside the United States. While we do not anticipate changing our intention regarding permanently reinvested earnings, if certain foreign earnings previously treated as permanently reinvested are repatriated, the related U.S. tax liability may be reduced by any foreign income taxes paid on these earnings.

## Table of Contents

Our income tax expense has differed from the tax computed at the U.S. federal statutory income tax rate due primarily to discrete items and to earnings considered as permanently reinvested in foreign operations. Unanticipated changes in our tax rates could affect our future results of operations. Our future effective tax rates could be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, by changes in, or our interpretation of, tax rules and regulations in the jurisdictions in which we do business, by unanticipated decreases in the amount of earnings in countries with low statutory tax rates, by lapses of the availability of the U.S. research and development tax credit, or by changes in the valuation of our deferred tax assets and liabilities.

In addition, we are subject to the continual examination of our income tax returns by the Internal Revenue Service (“IRS”) and other domestic and foreign tax authorities, including a current examination by the IRS of our fiscal 2008 and 2009 tax returns. These examinations are expected to focus on our intercompany transfer pricing practices as well as other matters. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result from the current examinations. We believe such estimates to be reasonable; however, there can be no assurance that the final determination of any of these examinations will not have an adverse effect on our operating results and financial position.

If we are unable to recruit and retain key personnel our business may be harmed.

Much of our future success depends on the continued service and availability of our senior management. These individuals have acquired specialized knowledge and skills with respect to Adobe. The loss of any of these individuals could harm our business. Our business is also dependent on our ability to retain, hire and motivate talented, highly skilled personnel across all levels of our organization. Experienced personnel in the information technology industry are in high demand and competition for their talents is intense in many areas where our employees are located. If we are unable to continue to successfully attract and retain key personnel, our business may be harmed. Effective succession planning is also a key factor for our long-term success. Our failure to enable the effective transfer of knowledge and facilitate smooth transitions with regards to our key employees could adversely affect our long-term strategic planning and execution.

We believe that a critical contributor to our success to date has been our corporate culture, which we have built to foster innovation and teamwork. As we grow, including from the integration of employees and businesses acquired in connection with our previous or future acquisitions, we may find it difficult to maintain important aspects of our corporate culture which could negatively affect our ability to retain and recruit personnel and otherwise adversely affect our future success.

Our investment portfolio may become impaired by deterioration of the capital markets.

Our cash equivalent and short-term investment portfolio as of November 30, 2012 consisted of corporate bonds and commercial paper, foreign government securities, money market mutual funds and repurchase agreements, municipal securities, time deposits, U.S. agency securities and U.S. Treasury securities. We follow an established investment policy and set of guidelines to monitor and help mitigate our exposure to interest rate and credit risk. The policy sets forth credit quality standards and limits our exposure to any one issuer, as well as our maximum exposure to various asset classes.

Should financial market conditions worsen in the future, investments in some financial instruments may pose risks arising from market liquidity and credit concerns. In addition, any deterioration of the capital markets could cause our other income and expense to vary from expectations. As of November 30, 2012, we had no material impairment charges associated with our short-term investment portfolio, and although we believe our current investment portfolio has little risk of material impairment, we cannot predict future market conditions or market liquidity, or credit availability, and can provide no assurance that our investment portfolio will remain materially unimpaired.

### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

## ITEM 2. PROPERTIES

The following table sets forth the location, approximate square footage and use of each of the principal properties used by Adobe during fiscal 2012. We lease or sublease all of these properties with the exception of our property in Noida, India where we own the building and lease the land, our corporate offices in San Jose where we own the land and lease the buildings, and in San Francisco on Townsend, Waltham and Lehi where we own the building and land. All leased properties are leased under operating leases. Such leases expire at various times through 2028, with the exception of our land lease in Noida, India that expires in 2091. The annual base rent expense (including operating expenses, property taxes and assessments, as applicable) for all leased facilities is currently approximately \$90.8 million and is subject to annual adjustments as well as changes in interest rates.

Location	Approximate Square Footage	Use
North America:		
345 Park Avenue San Jose, CA 95110, USA	378,000	Research, product development, sales, marketing and administration
321 Park Avenue San Jose, CA 95110, USA	321,000	Research, product development, sales and marketing
151 Almaden Boulevard San Jose, CA 95110, USA	267,000	Product development, sales and administration
601 and 625 Townsend Street San Francisco, CA 94103, USA	346,000	(1) Research, product development, sales, marketing and administration
801 N. 34th Street-Waterfront Seattle, WA 98103, USA	182,000	(2) Product development, sales, technical support and administration
3900 Adobe Way Lehi, UT 84043, USA	280,000	Research, product development, sales, marketing and administration
21 Hickory Drive Waltham, MA 02451, USA	108,000	(3) Research, product development, sales and marketing
250 Brannan Street San Francisco, CA 94107, USA	35,000	Product development, sales and marketing
7930 Jones Branch Drive McLean, VA 22102, USA	34,000	(4) Sales and marketing
1540 Broadway New York, NY 10036, USA	37,000	Sales and marketing
343 Preston Street Ottawa, Ontario K1S 5N4, Canada	122,000	(5) Research, product development, sales, marketing and administration
India:		
Adobe Towers, 1-1A, Sector 25A Noida, U.P.	191,000	Product development
Adobe Towers, Plot #6, Sector 127 Expressway, Noida, U.P.	80,000	Product development
Salapurja Infinity, Ground Floor, 1st Floor, 3rd Floor #5, Bannerghatta Road, Bangalore	160,000	Research and product development
Japan:		
Gate City Osaki East Tower 1-11 Osaki Shinagawa-ku, Tokyo	56,000	Product development, sales and marketing



Table of Contents

Location	Approximate Square Footage	Use
China:		
Block A, SP Tower, 11th, 19th, 21st & 22nd Floors		
Block B, SP Tower, 19th Floor		
Block D, SP Tower, 10th Floor	94,000	Research and product development
Tsinghua Science Park, Yard 1		
Zhongguancun Donglu, Haidian District		
Beijing		
Romania:		
26 Z Timisoara Blvd, Anchor Plaza		
Lujerului, Sector 6	71,000	Research and product development
Bucharest		
UK:		
Market House		
Market Street		
Maidenhead, Berkshire, SL6 8AD	49,000	Product development, sales, marketing and administration
Germany:		
Grosse Elbstrasse 27		
Hamburg	36,000	Research and product development

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- (1) The total square footage is 346,000, of which we occupy 272,000 square feet, or approximately 79% of this facility; 74,000 square feet is unoccupied basement space.
- (2) The total square footage is 182,000, of which we occupy 162,000 square feet, or approximately 89% of this facility. The remaining square footage is subleased.
- (3) Of the total square footage of 108,000, we occupy 36,000 square feet, or approximately 33% of this facility; 54,000 square feet is unoccupied and the remaining square footage is leased.
- (4) The total square footage is 34,000, of which we occupy 31,000 square feet, or approximately 91% of this facility. The remaining square footage is subleased.
- (5) The total square footage is 122,000, of which we occupy 65,000 square feet, or approximately 53% of this facility; 42,000 square feet is unoccupied. The remaining square footage is subleased.

In general, all facilities are in good condition, suitable for the conduct of our business and are operating at an average capacity of approximately 88%.

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

In connection with disputes relating to the validity or alleged infringement of third-party intellectual property rights, including patent rights, we have been, are currently and may in the future be subject to claims, negotiations or complex, protracted litigation. Intellectual property disputes and litigation may be very costly and can be disruptive to our business operations by diverting the attention and energies of management and key technical personnel. Although we have successfully defended or resolved past litigation and disputes, we may not prevail in any ongoing or future litigation and disputes. Third-party intellectual property disputes could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from licensing certain of our products or offering certain of our services, subject us to injunctions restricting our sale of products or services, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments with our customers including contractual provisions under various license arrangements and service agreements.

In addition to intellectual property disputes, such as those discussed above and others, we are subject to legal proceedings, claims and investigations in the ordinary course of business, including claims relating to commercial, employment and other matters. Some of these disputes and legal proceedings may include speculative claims for substantial or indeterminate amounts of damages. We consider all claims on a quarterly basis in accordance with GAAP and based on known facts assess whether potential losses are considered reasonably possible, probable and estimable. Based upon this assessment, we then evaluate disclosure requirements and whether to accrue for such claims in our financial statements. This determination is then reviewed and discussed with our Audit Committee and our independent registered public accounting firm.

We make a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Unless otherwise specifically disclosed here or in our Notes to Consolidated Financial Statements, we have determined that no provision for liability nor disclosure is required related to any claim against us because: (a) there is not a reasonable possibility that a loss exceeding amounts already recognized (if any) may be incurred with respect to such claim; (b) a reasonably possible loss or range of loss cannot be estimated; or (c) such estimate is immaterial.

All legal costs associated with litigation are expensed as incurred. Litigation is inherently unpredictable. However, we believe that we have valid defenses with respect to the legal matters pending against us. It is possible, nevertheless, that our consolidated financial position, cash flows or results of operations could be negatively affected by an unfavorable resolution of one or more of such proceedings, claims or investigations.

In connection with our anti-piracy efforts, conducted both internally and through organizations such as the Business Software Alliance, from time to time we undertake litigation against alleged copyright infringers. Such lawsuits may lead to counter-claims alleging improper use of litigation or violation of other laws. We believe we have valid defenses with respect to such counter-claims; however, it is possible that our consolidated financial position, cash flows or results of operations could be affected in any particular period by the resolution of one or more of these counter-claims.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.



Table of Contents

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

## Market Information for Common Stock

Our common stock is traded on the NASDAQ Global Select Market under the symbol "ADBE." The following table sets forth the high and low sales price per share of our common stock for the periods indicated.

	Price Range	
	High	Low
Fiscal 2012:		
First Quarter	\$33.73	\$26.46
Second Quarter	\$34.70	\$29.82
Third Quarter	\$33.92	\$30.02
Fourth Quarter	\$34.61	\$31.44
Fiscal Year	\$34.70	\$26.46
Fiscal 2011:		
First Quarter	\$35.39	\$27.72
Second Quarter	\$35.86	\$31.68
Third Quarter	\$33.01	\$22.69
Fourth Quarter	\$30.42	\$23.26
Fiscal Year	\$35.86	\$22.69
Stockholders		

According to the records of our transfer agent, there were 1,441 holders of record of our common stock on January 18, 2013. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

## Dividends

We did not declare or pay any cash dividends on our common stock during fiscal 2012 or fiscal 2011. Under the terms of our credit agreement and lease agreements, we are not prohibited from paying cash dividends unless payment would trigger an event of default or one currently exists. We do not anticipate paying any cash dividends in the foreseeable future.

Table of Contents

## Issuer Purchases of Equity Securities

Below is a summary of stock repurchases for the three months ended November 30, 2012. See Note 13 of our Notes to Consolidated Financial Statements for information regarding our stock repurchase programs.

Period	Shares Repurchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value that May Yet be Purchased Under the Plan <sup>(1)</sup>
	(in thousands, except average price per share)			
Beginning repurchase authority September 1—September 28, 2012				2,000,000
Shares repurchased September 29—October 26, 2012	—	\$—	—	\$—
Shares repurchased October 27—November 30, 2012	1,024	\$32.56	1,024	\$(33,333 ) <sup>(2)</sup>
Shares repurchased	1,014	\$33.18	1,014	\$(33,662 ) <sup>(2)</sup>
Total	2,038		2,038	\$1,933,005

(1) In April 2012, the Board of Directors approved a new stock repurchase program granting authority to repurchase up to \$2.0 billion in common stock through the end of fiscal 2015. The new stock repurchase program approved by our Board of Directors is similar to our previous \$1.6 billion stock repurchase program granted by the Board of Directors in June 2010, which was exhausted during fiscal 2012.

(2) In September 2012, as part of the new stock repurchase program, we entered into a structured stock repurchase agreement with a large financial institution whereupon we provided them with a prepayment of \$100.0 million. As of November 30, 2012, approximately \$33.0 million of the prepayment remained under this agreement.

Table of Contents

## ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data (presented in thousands, except per share amounts and employee data) is derived from our consolidated financial statements. As our operating results are not necessarily indicative of future operating results, this data should be read in conjunction with the consolidated financial statements and notes thereto, and with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Fiscal Years				
	2012	2011	2010	2009 <sup>(1)</sup>	2008
Operations:					
Revenue	\$4,403,677	\$4,216,258	\$3,800,000	\$2,945,853	\$3,579,889
Gross profit	\$3,919,895	\$3,778,385	\$3,396,498	\$2,649,121	\$3,217,259
Income before income taxes	\$1,118,794	\$1,035,230	\$943,151	\$701,520	\$1,078,508
Net income	\$832,775	\$832,847	\$774,680	\$386,508	\$871,814
Net income per share:					
Basic	\$1.68	\$1.67	\$1.49	\$0.74	\$1.62
Diluted	\$1.66	\$1.65	\$1.47	\$0.73	\$1.59
Shares used to compute basic net income per share	494,731	497,469	519,045	524,470	539,373
Shares used to compute diluted net income per share	502,721	503,921	525,824	530,610	548,553
Cash dividends declared per common share	\$—	\$—	\$—	\$—	\$—
Financial position: <sup>(2)</sup>					
Cash, cash equivalents and short-term investments	\$3,538,353	\$2,911,692	\$2,468,015	\$1,904,473	\$2,019,202
Working capital	\$3,059,608	\$2,520,672			