Adobe Systems Incorporated
345 Park Avenue
San Jose, CA 95110-2704
Phone: 408-536-6000
Fax: 408-537-6000

To our stockholders:

2008 was an eventful year for Adobe, for the U.S., for the entire world. Despite a global financial crisis and a broad economic downturn, Adobe delivered another year of solid growth. We continued to execute against our strategy. We launched innovative new products. And we remained focused on our mission to revolutionize how the world engages with ideas and information.

Highlights of 2008 include the launch of Adobe® Creative Suite® 4, the largest software release in Adobe's history. We also unveiled Adobe Acrobat® 9 and an update to Adobe LiveCycle® ES software, a combination that increased demand for our enterprise solutions. We introduced exciting advances in the Adobe Flash® Platform, the leading technology for video, games, and interactivity on the web. In addition to these product-related highlights, we expanded and deepened relationships with customers and partners worldwide, reached out to our communities, and achieved another year of record financial results.

Just as the economic and political landscape is changing, the consumer and technology landscape is also evolving. The world is moving from single-screen to multiscreen media consumption as people are demanding a consistent experience across multiple devices—from their TV to their computer monitor to their mobile device. Success for our customers hinges on their ability to deliver multiscreen experiences that build a meaningful and lasting connection with the person on the other side of the screen. And that is why Adobe remains committed to our vision of enabling the most compelling applications, content, and video—on screens of every size, across operating systems, accessible from anywhere at any time.

2008: Steady growth continues

Despite the uncertain economic environment, Adobe delivered double-digit revenue growth for the sixth consecutive year. Fiscal year 2008 revenue was $3.58 billion, a 13% increase from fiscal year 2007 revenue of $3.16 billion. In addition, Adobe's annual net income grew to $871.8 million in fiscal 2008, compared with $723.8 million in fiscal 2007. Diluted earnings per share for fiscal 2008 were $1.59, compared with $1.21 in fiscal 2007.

We achieved solid results across all of our businesses in fiscal 2008 and reported growth in every business segment. Our largest business segment, Creative Solutions, achieved revenue of $2.07 billion in fiscal 2008, representing 9% year-over-year growth. Revenue in our Business Productivity Solutions business grew 16% year over year, with revenue of $1.06 billion. Within this business, revenue in our Knowledge Worker segment grew to $811 million (an increase of 11%) and revenue in our Enterprise segment grew to $253 million (an increase of 32%). Our Mobile and Device Solutions business segment achieved revenue of $113 million, a 115% increase from the prior year, while revenue in our Other business segment was $330 million, an increase of 15% from the prior year.

With an ongoing focus on operational efficiency, Adobe continued to have a robust balance sheet, ending the fiscal year with a cash, cash equivalents, and short-term investments position of $2.02 billion. Results from our operations once again generated strong cash flow, which we use to invest in Adobe's future.

In fiscal 2008, we also focused on returning excess cash to our stockholders through our stock repurchase programs. We repurchased a total of 58.3 million shares during the year, returning approximately $2.14 billion to our stockholders— underscoring Adobe's commitment to delivering long-term value to stockholders.

Driving further ahead: Innovation remains a focus

Adobe's award-winning technologies and software continue to redefine business, entertainment, and personal communications by setting new standards for producing and delivering engaging content. Renowned for innovation, Adobe continued to push the boundaries in 2008.

Adobe Creative Suite 4 was a milestone release, delivering radical workflow breakthroughs that bring down the walls between designers and developers. Packed with hundreds of feature innovations, the Creative Suite 4 product line advances the creative process across print, web, mobile, interactive, film, and video production. Adobe's biggest software release to

date, the Creative Suite 4 family includes 6 editions, 13 point products, 14 integrated technologies, and 7 services. With new levels of integration and expressiveness for our Adobe Flash technology across the entire product line, the Creative Suite family continues to be the industry-leading design and development software for virtually every creative workflow.

We also introduced groundbreaking advances in our Adobe Acrobat family of products that help knowledge workers share their ideas and collaborate more effectively. Among the many new features in the latest release, Acrobat 9 delivers native support for Flash technology, the ability to unify a wide range of content in rich PDF Portfolios, and access to real-time collaborative capabilities for sharing a PDF document with colleagues. It also works with Acrobat.com, a new set of hosted services, to provide unprecedented levels of collaboration online.

In addition, we released a new version of Adobe Acrobat Connect™ Pro software, our comprehensive web conferencing and eLearning solution. The new version includes functionality that enriches online communication and collaboration, helping organizations and schools provide high-impact rapid training, interactive virtual classes, and dynamic online meetings.

Our update to Adobe LiveCycle ES enables enterprises, government agencies, and other organizations to more effectively engage customers, constituents, partners, and employees in key business processes—inside and outside the organization. Among the many enhancements, LiveCycle ES Update 1 adds new components for rapid development of content-rich applications, automated conversion of two- and three-dimensional CAD design data to PDF, and new Adobe Solution Accelerators to help customers expedite deployment of enterprise applications.

In the burgeoning market for Software as a Service (SaaS), Adobe is on the cutting edge with offerings such as Acrobat.com, Photoshop.com, and Scene7.® We are even making it possible to develop applications online, using our SaaS version of LiveCycle, LiveCycle ES Developer Express.

In 2008, we announced further advancements to the Adobe Flash Platform, a complete system of integrated tools, frameworks, clients, and servers to develop video, content, and web applications that run consistently across operating systems and devices. The Flash Platform development tools, tightly integrated with Creative Suite 4, offer the foundation for agile design and development workflows, making it faster and easier for creators to create, developers to deliver, and companies to profit.

To improve deployment of applications created with Flash, we're continuing to drive innovation in our nearly ubiquitous client software. Released in 2008, the Adobe Flash Player 10 runtime introduced new capabilities in 3D graphics, publishing-quality text, audio, custom filter effects, and other advances. Adoption has been swift—Flash Player 10 was installed on more than 55% of computers worldwide in just the first two months of its release, far outpacing the installation rate of previous versions of the software.

Flash technology has also solidified its position as the number one format for video on the web. Worldwide, Flash Player is on over 98% of connected computers and delivers more than 80% of web video [Source: December 2008 data from independent research firm comScore].

In the mobile market, handset manufacturers have shipped more than 800 million devices equipped with Adobe Flash Lite® technology, and we will reach over 1 billion devices with Flash in the first half of 2009. With smartphones that can offer computing power comparable to personal computers, and new Internet-enabled devices hitting the market every day, there is great opportunity in providing a consistent runtime environment across desktops, mobile phones, televisions, and other consumer electronics devices. We believe that Flash Player and its companion runtime, Adobe AIR® are the logical choice for this consistent runtime environment. With the Open Screen Project, we've partnered with leaders in the mobile, desktop, and device ecosystems for the purpose of enabling consumers to engage with rich Internet experiences seamlessly across any device, anywhere.

These are just a few of the innovative products, technologies, and partnerships Adobe announced in 2008 that will help our customers create and deliver compelling content and applications more effectively than ever before. As cultural and technological trends demonstrate, people want to interact with peers, brands, and companies—and the content they deliver—in more meaningful and dynamic ways. Adobe is well positioned to meet these expectations with solutions that spark creative endeavors, improve organizational productivity, enable efficient collaboration, and engage the hearts and minds of customers around the world.

Corporate social responsibility: Adobe makes an impact in the community

Since Adobe was founded, a commitment to community involvement and philanthropy has been among the company's core values. A highlight for Adobe in 2008 was the formal introduction of the Adobe Foundation, created to leverage Adobe's human, technological, and financial resources to drive social change and improve the communities in which we live and work.

Our extensive corporate giving programs benefit a wide variety of causes, from supporting education to reducing hunger and poverty. We are particularly proud of our global signature philanthropy program, Adobe Youth Voices, which provides youth in underserved communities with the critical skills they need to become active, engaged members of their communities and the world at large.

Driven by a strong belief that corporations have a responsibility to their local communities and the global environment, Adobe has consistently taken a proactive approach to resource conservation, waste reduction, environmental protection, and sustainability. At our San Jose headquarters, for example, we've implemented more than 60 projects to drastically reduce the use of electricity, natural gas, and water. As a result, Adobe is the first organization to earn five Leadership in Energy and Environmental Design (LEED) certifications by the U.S. Green Building Council, and the only company in the world to receive four Platinum certifications. Also, Adobe recently launched an environmentally sensitive redesign of its software packaging that combines recyclable cardboard derived from sustainably managed forests, a die-cut production method and folding inserts to minimize glue, and reduced size and fewer inserts to limit materials use.

We are very proud of our employees, who are demonstrating our values through a variety of individual and group volunteer efforts that are making a positive impact in cities around the world. We thank the entire Adobe team for their commitment to making our company the best it can be, and doing the same for the global communities and constituencies we serve. Moreover, we're proud that employee satisfaction continues to be high; for 2008, we had the honor of being recognized as the 11th best company to work for in the U.S., according to FORTUNE magazine's 12th annual "100 Best Companies to Work For" survey.

Looking ahead to 2009, we expect challenges. And with challenge comes opportunity. As we've done in the past, Adobe will continue to focus on executing against our strategy and strive to fulfill our mission of revolutionizing how the world engages with ideas and information.

Sincerely,

Shantanu Narayen
President and Chief Executive Officer

John E. Warnock
Chairman of the Board

Charles M. Geschke
Chairman of the Board

Senior executive officers

Shantanu Narayen
President and Chief Executive Officer

Mark Garrett
Executive Vice President and Chief Financial Officer

Karen Cottle
Senior Vice President, General Counsel and Corporate Secretary

John Loiacono
Senior Vice President, Creative Solutions Business Unit

Kevin Lynch
Chief Technology Officer and Senior Vice President, Experience & Technology Organization

Rob Tarkoff
Senior Vice President and General Manager, Business Productivity Business Unit

Matt Thompson
Senior Vice President, Worldwide Field Operations

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Chairman of the Board, Adobe Systems Incorporated

Charles M. Geschke
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Carol Mills
Independent Consultant

Colleen M. Pouliot
Attorney

Dan Rosensweig
Operating Principal, Quadrangle Group Former Chief Operating Officer, Yahoo!

Robert Sedgewick
Professor of Computer Science, Princeton University

Delbert Yocam
Independent Consultant

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This document 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. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in our SEC filings, including the 2008 Annual Report on Form 10-K and quarterly reports on Form 10-Q to be filed in 2009. When used in this document, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "targets," "estimates," and similar expressions, as well as descriptions of our focus for the future, are generally intended to identify forward-looking statements. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this document. We undertake no obligation to publicly release any revisions to the forward-looking statements that reflect events or circumstances after the date of this document.

Investor relations

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

To contact Adobe's Investor Relations department, please use the following information:

Investor Relations Department
Adobe Systems Incorporated
345 Park Avenue
San Jose, CA 95110-2704 USA
Tel: 408-536-4416
ir@adobe.com

To report a change of address or lost stock certificates, please notify our Transfer Agent:

Shareholder Communications
Computershare Investor Services LLC
250 Royall Street
Canton, MA 02021 USA
Tel: 800-455-1130

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