

AUTODESK INC  
Form 10-K  
March 28, 2008  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE  
ACT OF 1934**  
For the fiscal year ended January 31, 2008

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: 0-14338

**AUTODESK, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

94-2819853  
(I.R.S. employer  
Identification No.)

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111 McInnis Parkway,  
San Rafael, California 94903  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code: (415) 507-5000

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

| Title of each class            | Name of each exchange on which registered                    |
|--------------------------------|--|
| Common Stock, \$0.01 Par Value | The NASDAQ Stock Market LLC<br>(NASDAQ Global Select Market) |

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (Exchange Act). Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark 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  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No

As of July 31, 2007, the last business day of the registrant's most recently completed second fiscal quarter, there were approximately 162.1 million shares of the registrant's common stock outstanding that were held by non-affiliates, and the aggregate market value of such shares held by non-affiliates of the registrant (based on the closing sale price of such shares on the NASDAQ Global Select Market on July 31, 2007) was approximately \$6.9 billion. Shares of the registrant's common stock held by each executive officer and director and by each entity that owns 5% or more of the registrant's outstanding common stock 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.

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As of March 21, 2008, registrant had outstanding approximately 230.3 million shares of common stock.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for registrant's Annual Meeting of Stockholders to be held June 12, 2008 (the Proxy Statement), are incorporated by reference in Part III of this Form 10-K to the extent stated herein. The Proxy Statement will be filed within 120 days of the Registrant's fiscal year ended January 31, 2008.

**Table of Contents****AUTODESK, INC. FORM 10-K****TABLE OF CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <b>PART I</b>   |             |
| Item 1. <u>Business</u>   | 3           |
| <u>Executive Officers of the Registrant</u>   | 14          |
| Item 1A. <u>Risk Factors</u>  | 17          |
| Item 1B. <u>Unresolved Staff Comments</u>   | 24          |
| Item 2. <u>Properties</u>   | 24          |
| Item 3. <u>Legal Proceedings</u>  | 25          |
| Item 4. <u>Submission of Matters to a Vote of Security Holders</u>  | 25          |
| <b>PART II</b>  |             |
| Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 26          |
| Item 6. <u>Selected Financial Data</u>  | 28          |
| Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                        | 29          |
| Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>  | 49          |
| Item 8. <u>Financial Statements and Supplementary Data</u>  | 50          |
| Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>                         | 90          |
| Item 9A. <u>Controls and Procedures</u>   | 90          |
| Item 9B. <u>Other Information</u>   | 90          |
| <b>PART III</b>   |             |
| Item 10. <u>Directors, Executive Officers and Corporate Governance</u>  | 91          |
| Item 11. <u>Executive Compensation</u>  | 91          |
| Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>              | 91          |
| Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>                                   | 91          |
| Item 14. <u>Principal Accounting Fees and Services</u>  | 91          |
| <b>PART IV</b>  |             |
| Item 15. <u>Exhibits and Financial Statement Schedules</u>  | 92          |
| <u>Signatures</u>   | 93          |

**Table of Contents**

**FORWARD-LOOKING INFORMATION**

*The discussion in this Annual Report on Form 10-K contains trend analyses and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are any statements that look to future events and consist of, among other things, our business strategies, anticipated future operating results, including net revenue, product backlog, upgrade, crossgrade and maintenance revenue, the effect of fluctuations in exchange rates on net revenue and expenses, costs and expenses, including cost of revenue and operating expenses, future income, our anticipated tax rate, planned product retirement and annual release cycle. In addition, forward-looking statements also consist of statements involving expectations regarding product acceptance, continuation of our stock repurchase program, and short-term and long-term cash requirements, as well as, statements involving trend analyses and statements including such words as may, believe, could, anticipate, would, might, plan, expect, and similar expressions or the negative of these terms or other comparable terminology. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K and are subject to business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth below in Item 1A, Risk Factors, and in our other reports filed with the Securities Exchange Commission, or SEC. We assume no obligation to update these forward-looking statements to reflect events that occur or circumstances that exist after the date on which they were made.*

**PART I**

**ITEM 1. BUSINESS**

**Note: A glossary of terms used in this Form 10-K appears at the end of this Item 1.**

**GENERAL**

Autodesk is one of the world's leading design software and services companies. We offer products and solutions to customers in the architectural, engineering, construction, manufacturing, geospatial mapping and digital media markets. Our state of the art software products enable our customers to experience their ideas before they are real by allowing them to create and document their designs and to visualize, simulate and analyze real-world performance early in the design process by creating digital prototypes. These capabilities give our customers the flexibility to optimize and improve their designs before they actually begin the building process, helping save time and money, improving quality and fostering innovation. Our 2D horizontal design solutions, AutoCAD and AutoCAD LT, are two of the most widely used general design software tools in the world. In addition, we offer a range of discipline-specific design and documentation tools including our 2D vertical design solutions and our 3D model-based design solutions.

We believe that our ability to make technology available to mainstream markets is one of our competitive advantages. By innovating in existing technology categories, we bring powerful design products to volume markets. Our products enable improvements in design innovation and productivity. They are designed to be easy to learn and use, and provide customers low cost of deployment and low total cost of ownership. Our product and software architectures allow for extensibility and integration. Most of our solutions are Windows PC-based.

We have a large global community of resellers, third-party developers and users, which provides us with a broad reach into volume markets. Our reseller network is extensive and provides our customers with global resources for the purchase and support of our products as well as resources for effective and cost-efficient training services. We have a significant number of registered third-party developers who create products that run on top of our products, and thereby further extend our reach into volume markets. Our installed base of millions of users has made Autodesk's products a worldwide design software standard. Users trained on Autodesk products are broadly available both from universities and the existing workforce, reducing the cost of training for our customers.

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## **Table of Contents**

Our strategy is to deliver advanced solutions to create and leverage digital design data, in order to improve our customers' productivity throughout the design, build, manufacture and management of the customers' projects. To execute against this strategy we are focused on delivering strong new product releases, migrating our customers to more advanced technologies, expanding our offerings in adjacent markets and to adjacent users, as well as growing our business in emerging economies. We attempt to release new product versions on a regular basis and synchronize our major product retirements with those releases. Our most recent major product releases occurred in March 2008.

### **Segments**

We are organized into two reportable operating segments: the Design Solutions Segment, which accounted for 87% of our net revenue in fiscal 2008, and the Media and Entertainment Segment, which accounted for 12% of our net revenue in fiscal 2008. A summary of our condensed net revenue and results of operations for our business segments is found in Note 11, Segments, in the Notes to our Consolidated Financial Statements.

The *Design Solutions Segment* derives revenue from the sale of licenses for software products and services to customers who design, build, manage or own building, manufacturing and infrastructure projects. The principal products licensed by the Design Solutions Segment include the following:

our general design products, including AutoCAD and AutoCAD LT (2D horizontal products), which accounted for 38% of our net revenue in fiscal 2008,

our discipline-specific products, including AutoCAD-based products (2D vertical products), which accounted for 16% of our net revenue in fiscal 2008 and

our 3D model-based design and documentation products (Autodesk Inventor products, Revit products, AutoCAD Civil 3D and NavisWorks products), which accounted for 23% of our net revenue in fiscal 2008.

In addition to software products, the Design Solutions Segment offers a range of services including consulting, support and training, largely dedicated to enhancing our ability to sell our software products. During fiscal 2008, the Design Solutions Segment consisted of three business divisions: Platform Solutions and Emerging Business Division and Other; Architecture, Engineering and Construction Division; and Manufacturing Solutions Division.

The *Media and Entertainment Segment* is comprised of two business lines: Animation, including design visualization, and Advanced Systems. Our animation products provide advanced tools for 3D modeling, animation, rendering solutions, and design visualization and visual effects production. Our Advanced Systems products provide color grading, editing, finishing and visual effects, compositing, media mastering and encoding technology, and increase the productivity of creative professionals. The Media and Entertainment Segment derives revenue from the sale of products to creative professionals, post-production facilities, and broadcasters for a variety of applications, including feature films, television programs, commercials, music and corporate videos, interactive game production, web design and interactive web streaming. In addition, the animation products (3ds Max and Maya) are often used by customers of our Design Solutions Segment.

### **Corporate Information**

We were incorporated in California in April 1982 and were reincorporated in Delaware in May 1994. Our principal executive office is located at 111 McInnis Parkway, San Rafael, California 94903 and the telephone number at that address is (415) 507-5000. Our internet address is [www.autodesk.com](http://www.autodesk.com). The information posted on our website is not incorporated into this Annual Report on Form 10-K. 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 Web site at [www.autodesk.com](http://www.autodesk.com) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

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## **Table of Contents**

### **PRODUCTS**

#### **Design Solutions Segment**

The Design Solutions Segment accounted for 87% of overall net revenue in fiscal 2008. The principal product offerings from the different divisions of the Design Solutions Segment are as follows:

##### *Platform Solutions and Emerging Business Division and Other*

The Platform Solutions and Emerging Business Division and Other accounted for 53% of the Design Solutions Segment revenue and 46% of overall net revenue in fiscal 2008. The division's revenue includes revenue from sales of licenses of our 2D horizontal products, AutoCAD and AutoCAD LT, as well as, our 2D industry-specific product, AutoCAD Map 3D, and revenue from Autodesk Consulting. The division's principal product offerings include the following:

- *AutoCAD*

AutoCAD software, which is our largest revenue-generating product, is a customizable and extensible computer-aided design (CAD) application for 2D drafting, detailing, design documentation and basic 3D visualization. AutoCAD provides digital tools that can be used independently and in conjunction with other specific applications in fields ranging from construction to manufacturing to geospatial, civil engineering and process plant design.

- *AutoCAD LT*

AutoCAD LT software is used for 2D drafting and detailing by design professionals who require full DWG file format compatibility and document sharing capability without the need for software customization or certain advanced functionality. Users can securely share all design data with team members who use AutoCAD or Autodesk products built on AutoCAD. AutoCAD LT is our second largest revenue-generating product.

- *AutoCAD Map 3D*

AutoCAD Map 3D software provides mapping functionality to engineers and geospatial professionals who need to integrate CAD and geographic information system (GIS) data. It contains the complete AutoCAD toolset to enhance productivity, and also offers specialized functionality for map cleanup, geospatial analysis, and access to GIS data sources. Integrated GIS tools provide mapping and analysis functions for visualization and evaluation of design and asset management products.

##### *Architecture, Engineering and Construction Division*

The Architecture, Engineering and Construction Division accounted for 25% of the Design Solutions Segment revenue and 22% of overall net revenue in fiscal 2008. Autodesk Architecture, Engineering and Construction Division solutions enable customers and their clients to reduce inefficiencies in building design, civil engineering, construction and management, supporting information and management needs throughout the building lifecycle. The division's solutions include the most advanced technology for building information modeling (BIM), AutoCAD-based design and documentation productivity software, dynamic civil modeling and collaborative project management. BIM, a paradigm for building design, documentation and construction, enables users to exchange and analyze complex design and construction information in digital form, and through its use enables users to create sustainable or "green" building designs through analysis of materials, quantities, energy use, and lighting in a virtual model. The division's principal product offerings include the following:

## **Table of Contents**

- *Revit Products*

Purpose-built for BIM, the Revit products collect information about a building project and coordinate this information across all other representations of the project so that every drawing sheet, 2D and 3D view and schedule is based on internally consistent and complete information from the same underlying building database. The Revit products, including AutoCAD Revit Suite, Revit MEP and Revit Structure, provide an intuitive state-of-the-art model-based design and documentation system for architects; mechanical, electrical and plumbing (MEP) engineers; structural engineers; design-build teams; and other design and building industry professionals.

- *AutoCAD Architecture*

Designed for architects and built on the AutoCAD platform, AutoCAD Architecture software supports existing 2D design practices while enabling users to gradually introduce increasingly powerful industry-specific features to gain efficiency and improve coordination. It offers flexibility in implementation and collaboration, using industry-leading DWG technology, the efficiency of real-world building objects and AutoCAD-based design and documentation productivity for architects.

- *AutoCAD Civil 3D*

AutoCAD Civil 3D provides a surveying, design, analysis, and documentation solution for civil engineering, including land development, transportation, and environmental projects. Using a model-centric approach that automatically updates documentation as design changes are made, AutoCAD Civil 3D enables civil engineers, designers, drafters, and surveyors to significantly boost productivity and deliver higher-quality designs and construction documentation faster. With AutoCAD Civil 3D, the entire project team works from the same consistent, up-to-date model so they stay coordinated throughout all project phases.

- *Autodesk Buzzsaw and Autodesk Constructware*

Autodesk Buzzsaw and Autodesk Constructware online collaboration and project management solutions enable increased project visibility, project reporting, project management, and integrated design review. These solutions help users simplify and centralize all project-related documents and information to connect with their project team, regardless of organizational or geographical boundaries. The primary markets targeted are the homebuilding, retail, hospitality, commercial construction, infrastructure and engineering industries.

### *Manufacturing Solutions Division*

The Manufacturing Solutions Division accounted for 22% of the Design Solutions Segment revenue and 19% of overall net revenue in fiscal 2008. The division provides the manufacturing industry with comprehensive design, data management and Digital Prototyping solutions, enabling customers to rapidly adopt 3D model-based design, create and validate designs in a simple 2D/3D environment, and manage designs from the conceptual design phase through the manufacturing phase. The division's principal product offerings include the following:

- *Autodesk Inventor Products*

Autodesk Inventor products, including Autodesk Inventor Suite and Autodesk Inventor Professional products, account for a majority of the Manufacturing Solution Division's revenue. The Autodesk Inventor products deliver AutoCAD Mechanical software for 2D drawing and detailing, Inventor software, and data management software in one solution. Inventor software is a 3D mechanical design creation tool that provides users a 3D assembly-centric solid modeling system and 2D drawing production system together with digital prototyping functionality. Customers who purchase Autodesk Inventor Professional products have access to a comprehensive, integrated design solution that combines Inventor software, AutoCAD Mechanical, data management, stress analysis and dynamic simulation.



## **Table of Contents**

- *AutoCAD Mechanical*

AutoCAD Mechanical software offers purpose-built 2D mechanical design and engineering tools that are seamlessly compatible with all AutoCAD-based applications. AutoCAD Mechanical accelerates the mechanical design process by providing standards-based libraries of parts and tools for automating design tasks.

## **Media and Entertainment Segment**

The Media and Entertainment Segment accounted for 12% of overall net revenue in fiscal 2008. Principal product offerings in the Media and Entertainment Segment's Animation and Advanced Systems business lines include the following:

### *Animation*

- *Autodesk 3ds Max*

Autodesk 3ds Max software provides 3D modeling, animation and rendering solutions that enable game developers, design visualization professionals and visual effects artists to create realistic digital images, animations and complex scenes and to communicate abstract or complex mechanical, architectural, engineering and construction concepts.

- *Autodesk Maya*

Autodesk Maya software provides 3D modeling, animation, effects and rendering solutions that enable film and video artists, game developers and design visualization professionals to create engaging, lifelike digital images, realistic animations and simulations, and extraordinary visual effects.

### *Advanced Systems*

- *Autodesk Flame, Autodesk Inferno and Autodesk Flint*

Autodesk Flame, Autodesk Inferno and Autodesk Flint systems are our scalable line of interactive real-time visual effects and graphics design solutions. These products offer scalable performance to service a wide range of client workflows from interactive broadcast design to real-time high-resolution film work. They also offer the ability to interactively create, composite and edit highly challenging sequences that merge live action with computer-generated imagery using 3D graphics and mixed resolutions.

- *Autodesk Smoke and Autodesk Fire*

Autodesk Smoke and Autodesk Fire systems are our scalable line of interactive real-time non-linear and non-compressed online editing and finishing systems that enable editors to edit, conform and finish television commercials, broadcast programming, film trailers and feature films as well as other high-value media content in mixed resolutions.

## **PRODUCT DEVELOPMENT AND INTRODUCTION**

We continue to enhance our product offerings and develop new products to meet changing customer demands. Research and development expenditures were \$485.3 million or 22% of fiscal 2008 net revenue, \$406.3 million or 22% of fiscal 2007 net revenue and \$303.2 million or 20% of fiscal 2006 net revenue. Our software is primarily developed internally; however, we do contract services from software development firms, consultants and independent contractors to supplement our development efforts. Additionally, we acquire products or technology developed by others by purchasing or licensing some or all of the assets or stock of the entity that owns rights to the products or technology.

## **Table of Contents**

The majority of our basic research and product development is performed in the United States, China and Canada. Translation and localization of foreign-market versions, as well as some product development, is performed in other local markets, particularly in Singapore and Switzerland. We generally translate and localize our products into French, Italian, German, Spanish, Japanese and various Chinese dialects.

We actively recruit and hire experienced software developers. We also use independent firms and contractors to perform some of our product development activities. We plan to continue to increase our product development operations internationally over the next several years. We believe that our ability to conduct research and development at various locations throughout the world allows us to optimize product development, lower costs, and integrate local market knowledge into our development activities. We continually assess the significant costs and challenges, including intellectual property protection, against the benefits of our international development activities. For example, in January 2008, we purchased the remaining 72% of Hanna Strategies Holdings, Inc. ( Hanna Strategies ), a company that had previously been providing development services for us, primarily in China.

In addition, our business strategy has historically depended in part on our relationships with a network of over 3,100 third-party developers who develop and sell their own products that further enhance the range of integrated solutions available to our customers.

The technology industry is characterized by rapid technological change in computer hardware, operating systems and software. In addition, our customer s requirements and preferences rapidly evolve, as do their expectations of our software. To keep pace with these changes, we maintain an aggressive program of new product development to address demands in the marketplace for our products. We dedicate considerable technical and financial resources to research and development to further enhance our existing products and to create new products and technologies. We continually review these investments in an effort to ensure that we are generating sufficient revenue or gaining a competitive advantage to justify their costs. For further discussion regarding risks from our product development and introduction efforts, see Item 1A, Risk Factors.

## **MARKETING AND SALES**

We license or sell our products and services in over 160 countries primarily through indirect channels consisting of distributors and resellers. To a lesser extent we also transact directly with customers who are primarily large corporations. Our indirect channel model includes both a two-tiered distribution structure, where distributors sell to resellers, and a one-tiered structure where Autodesk sells directly to resellers. We have a network of approximately 1,700 resellers and distributors worldwide. For fiscal 2008, approximately 87% of our revenue was derived from indirect channel sales through distributors and resellers and we expect that the majority of our revenue will continue to be derived from indirect channel sales in the future. We employ a variety of incentive programs and promotions to align our reseller channel with our business strategy. Sales through one distributor, Tech Data Corporation and its affiliates, accounted for 14%, 12% and 11% of our net revenue for fiscal 2008, 2007 and 2006, respectively. No other distributor or reseller accounted for 10% or more of our revenue.

Our customer-related operations are divided into three geographic regions, the Americas, Europe/Middle East/Africa (EMEA) and Asia Pacific, and are supported by global marketing and sales organizations. These organizations develop and manage overall marketing and sales programs and work closely with a network of domestic and international sales offices.

We also work directly with reseller and distributor sales organizations, computer manufacturers, other software developers and peripherals manufacturers in cooperative advertising, promotions and trade-show presentations. We employ mass-marketing techniques such as web casts, seminars, telemarketing, direct mailings and advertising in business and trade journals. We have a worldwide user group organization and we have created online user communities dedicated to the exchange of information related to the use of our products.

## **Table of Contents**

In addition to sales of new software licenses, we generate revenue through our Autodesk Subscription Program and Autodesk Upgrade Program. These programs are available for a majority of our products and offer our customers two alternatives to migrate to the most recent version of our products.

Under the Autodesk Subscription Program, customers who own a perpetual use license for the most recent version of the underlying product are able to purchase maintenance that provides them with unspecified upgrades when-and-if-available, and are able to download e-Learning courses and receive online support over a one year or multi-year subscription period. Revenue from our Subscription Program is reported separately on our Consolidated Statements of Income and is referred to throughout this document as maintenance revenue.

Concurrent with the release of a new product version, the Autodesk Upgrade Program allows customers, who are not on the Subscription Program, to purchase upgrades, but only to the extent that they are still on a supported version of the product. Typically, the cost to upgrade is based on a multiple of the number of versions the customer is upgrading. An existing customer also has the option to upgrade to a different, discipline-specific or 3D product, which generally has a higher price, for a premium fee; we refer to this as a crossgrade. The cost of a crossgrade is substantially less than the cost of purchasing a new license and is available to subscription customers as well. Revenue from our upgrade and crossgrade programs is reported on our Consolidated Statements of Income in License and other.

Our ability to effectively distribute our products depends in part upon the financial and business condition of our distributor and reseller networks. Computer software resellers and distributors are typically not highly capitalized and have previously experienced difficulties during times of economic contraction and may do so in the future. While we have processes to ensure that we assess the creditworthiness of dealers and distributors prior to selling to them, if their financial condition were to deteriorate they might not be able to make repeat purchases. The loss of, or a significant reduction in, business with any one of our major international distributors or large resellers could harm our business. Our reliance on distributors and resellers subjects us to other risks; see Item 1A, Risk Factors, for further discussion.

We intend to continue to make our products available in foreign languages. We believe that international sales will continue to comprise the majority of our net revenue. Economic weakness in any of the countries where we generate a significant portion of our net revenue, including the United States, could have an adverse effect on our business. A summary of our financial information by geographic location is found in Note 11, Segments in the Notes to Consolidated Financial Statements.

## **CUSTOMER AND RESELLER SUPPORT**

We provide technical support and training to customers through a leveraged support model, augmented by direct programs designed to address certain specific needs. Our customers rely primarily on the resellers and distributors from which they purchased licenses to our products for technical support; however, we do provide certain direct support for Media and Entertainment Segment Advanced Systems customers. We support the resellers and distributors through technical product training, sales training classes, the Internet and direct telephone support. We also provide online support directly to our customers through our Subscription Program. There are also a number of user group forums in which customers are able to share information.

## **EDUCATIONAL PROGRAMS**

We offer education programs and specially priced software purchasing options tailored for educational institutions, students, and faculty to train the next generation of users. We also offer classroom support, including standardized curricula developed by educators, instructor development, and a rich assortment of online learning resources. Users trained on our products are broadly available both from universities and the existing workforce, reducing the cost of training for our customers.

## **Table of Contents**

### **DEVELOPER PROGRAMS**

One of our key strategies is to maintain an open-architecture design of our software products to facilitate third-party development of complementary products and industry-specific software solutions. This approach enables customers and third parties to customize solutions for a wide variety of highly specific uses. We offer several programs that provide marketing, sales, technical support and programming tools to developers who develop add-on applications for our products. Over 3,100 developers in the Autodesk Developer Network create interoperable products that further enhance the range of integrated solutions available to our customers.

### **BACKLOG**

We typically ship products shortly after receipt of an order, which is common in the software industry. Our aggregate backlog is primarily comprised of deferred revenue. Deferred revenue consists primarily of deferred maintenance revenue from our Subscription Program. To a lesser extent, deferred revenue consists of deferred license and other revenue derived from Autodesk Buzzsaw and Autodesk Constructware, consulting services and deferred license sales. Backlog also includes current software license product orders which have not yet shipped. The category of current software license product orders which we have not yet shipped consists of orders from customers with approved credit status for currently available license software products and may include both orders with current ship dates and orders with ship dates beyond the current fiscal period.

Aggregate backlog was \$521.5 million at January 31, 2008, of which \$506.1 million was deferred revenue and \$15.4 million related to current software license product orders which had not yet shipped at the end of the fiscal year. Aggregate backlog was \$395.8 million at January 31, 2007, of which \$378.8 million was deferred revenue and \$17.0 million related to current software license product orders which had not yet shipped at the end of the fiscal year. Deferred revenue increased over the prior year primarily due to an increase in deferred maintenance revenue resulting from the success of our Subscription Program. We expect deferred maintenance revenue to continue to increase in the future. We do not believe that aggregate backlog as of any particular date is necessarily indicative of future results.

### **COMPETITION**

The markets for our products are highly competitive and subject to rapid change. We strive to increase our competitive separation by investing in research and development allowing us to bring new products to market and create exciting new versions of existing products that offer compelling efficiencies for our customers. We also compete through investments in marketing and sales.

Our Design Solutions Segment competes with vendors that specialize primarily in one of the three industry segments in which we compete. Our competitors range from large, global, publicly traded companies to small, geographically focused firms. Our primary global competitors in this segment include Adobe Systems Inc., Bentley Systems, Inc., Dassault Systemes and its subsidiary SolidWorks Corporation, Environmental Systems Research Institute, Inc. (ESRI), Intergraph Corporation, Nemetschek AG, Parametric Technology Corporation, and Siemens AG PLM software division.

Our Media and Entertainment Segment competes with a wide range of different companies from large global publicly-traded corporations to small private entities. Large organizations that produce products that compete in some or all of our markets include Adobe Systems Inc., Apple Computer Inc., Avid Technology, SONY and Thomson. The media and entertainment market is highly fragmented with complex interdependencies between many of the larger corporations. As a result, some of our competitors also own subsidiaries that are our customers or our partners in developing or bringing to market some of our solutions.

The software industry has limited barriers to entry, and the availability of computing power with continually expanding performance at progressively lower prices contributes to the ease of market entry. The design software

## **Table of Contents**

market is characterized by vigorous competition in each of the vertical markets in which we compete, both from existing competitors and by entry of competitors with innovative technologies. Competition is increasingly enhanced by consolidation of companies with complementary products and technologies. In addition, some of our competitors in certain markets have greater financial, technical, sales and marketing and other resources that we do. See Item 1A, Risk Factors, for further discussion of risks regarding competition.

Because of these and other factors, competitive conditions in these industries are likely to continue to intensify in the future. Increased competition could result in price reductions, reduced net revenue and profit margins and loss of market share, any of which could harm our business. Furthermore, in certain markets, some of our competitors have greater financial, technical, sales and marketing and other resources.

We believe that our future results depend largely upon our ability to offer new products and to continue to provide existing product offerings that compete favorably with respect to ease of use, reliability, performance, range of useful features, continuing product enhancements, reputation, price and training.

## **INTELLECTUAL PROPERTY AND LICENSES**

We maintain an active program to legally protect our investment in technology through intellectual property rights. We protect our intellectual property through a combination of patents, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions. The nature and extent of legal protection associated with each such intellectual property right depends on, among other things, the type of intellectual property right and the given jurisdiction in which such right arises. We believe that our intellectual property rights are valuable and important to our business, including each of our segments.

Nonetheless, our intellectual property rights may not be successfully asserted in the future or may be invalidated, circumvented or challenged. In addition, the laws of various foreign countries where our products are distributed do not protect our intellectual property rights to the same extent as U.S. laws. Enforcement of intellectual property rights against alleged infringers can sometimes lead to costly litigation and counterclaims. Our inability to protect our proprietary information could harm our business.

From time to time, we receive claims alleging infringement of a third party's intellectual property rights, including patents. Disputes involving our intellectual property rights or those of another party have in the past and may in the future lead to, among other things, costly litigation or product shipment delays, which could harm our business.

We retain ownership of software we develop. All software is licensed to users and provided in object code pursuant to either shrink-wrap, embedded or on-line licenses, or signed license agreements. These agreements contain restrictions on duplication, disclosure and transfer.

We believe that because of the limitations of laws protecting our intellectual property and the rapid, ongoing technological changes in both the computer hardware and software industries, we must rely principally upon software engineering and marketing skills to maintain and enhance our competitive market position.

While we have recovered some revenue resulting from the unauthorized use of our software products, we are unable to measure the full extent to which piracy of our software products exists. We believe, however, that software piracy is and can be expected to be a persistent problem that negatively impacts our revenue.

In addition, through various licensing arrangements, we receive certain rights to intellectual property of others. We expect to maintain current licensing arrangements and to secure licensing arrangements in the future, as needed and to the extent available on reasonable terms and conditions, to support continued development and sales of our products and services. Some of these licensing arrangements require or may require royalty payments and other licensing fees. The amount of these payments and fees may depend on various factors,

## **Table of Contents**

including but not limited to: the structure of royalty payments, offsetting considerations, if any, and the degree of use of the licensed technology.

See Item 1A, Risk Factors, for further discussion of risks related to protecting our intellectual property.

## **PRODUCTION AND SUPPLIERS**

Production of our Design Solutions Segment and certain Media and Entertainment Segment software products involves duplication of the software media and the printing of user manuals. The purchase of media and the transfer of the software programs onto media for distribution to customers are performed by us and by licensed subcontractors. Media for our products include DVDs which are available from multiple sources. User manuals for our products and packaging materials are produced to our specifications by outside sources. Production is either performed in leased facilities operated by us or by independent third-party contractors. To date, we have not experienced any material difficulties or delays in the production of our software and documentation.

In addition, the Advanced Systems business line has historically relied on third-party vendors for the supply of hardware components used in its systems. In the past, many of the Advanced Systems software products ran on workstations manufactured by Silicon Graphics, Inc. ( SGI ). Over the past two years, we transitioned our Advanced Systems product portfolio to standard, open, PC-based hardware systems.

## **EMPLOYEES**

As of January 31, 2008, we employed approximately 7,300 people. None of our employees in the United States are represented by a labor union; however, in certain foreign countries, our employees are represented by work councils. We have never experienced any work stoppages and believe our employee relations are good. Reliance upon employees in other countries entails various risks that possible government instability or regulation unfavorable to foreign-owned businesses could negatively impact our business in the future.

Competition in recruiting personnel in the software industry, especially highly skilled engineers, is intense. We believe our continued growth and future success is highly dependent on our continued ability to attract, retain and motivate highly skilled employees.

**Table of Contents****BUSINESS COMBINATIONS**

Over the past three years, we acquired new technology or supplemented our technology by purchasing businesses focused in specific markets or industries. During this time period, we acquired a number of companies, including the following companies that have a significant impact on our business and are discussed in our Notes to Consolidated Financial Statements:

| <b>Date of closing</b> | <b>Company</b>  | <b>Details</b>  |
|------------------------|---|---|
| January 2008           | Hanna Strategies Holdings, Inc.<br>( Hanna Strategies ) | Hanna Strategies, a company that formerly performed software development services for us, will be integrated into, and the goodwill acquired was assigned to, each of the divisions within the Design Solutions Segment.  |
| January 2008           | Robobat, S.A.<br>( Robobat )                            | The Robobat acquisition provided a strong analysis engine currently localized for the EMEA and APAC markets. Robobat will be integrated into, and the goodwill acquired was assigned to, the Architecture, Engineering and Construction Division of the Design Solutions Segment.   |
| June 2007              | NavisWorks (UK) Limited<br>( NavisWorks )               | The NavisWorks acquisition provided 3D coordination, collaboration and sequencing in design and construction. The acquisition has been integrated into, and the goodwill acquired was assigned to, the Architecture, Engineering and Construction Division of the Design Solutions Segment.   |
| March 2006             | Emerging Solutions, Inc.<br>( Constructware )           | The Constructware acquisition provided on-demand communication and collaboration solutions. The acquisition has been integrated into, and the goodwill acquired was assigned to, the Architecture, Engineering and Construction Division of the Design Solutions Segment.   |
| January 2006           | Alias Systems Holdings, Inc.<br>( Alias )               | The acquisition of Alias provided our customers with enhanced technology and industry talent for their design, animation, data management and visualization needs. The acquisition has been integrated into, and the goodwill acquired was assigned to, the Media and Entertainment Segment and the Manufacturing Solutions Division of our Design Solutions Segment. |

**Table of Contents****EXECUTIVE OFFICERS OF THE REGISTRANT**

The following sets forth certain information as of March 21, 2008 regarding our executive officers.

| <b>Name</b>         | <b>Age</b> | <b>Position</b>  |
|---------------------|------------|--|
| Carl Bass           | 50         | Chief Executive Officer and President                            |
| Carol A. Bartz      | 59         | Executive Chairman of the Board                                  |
| George M. Bado      | 53         | Executive Vice President, Worldwide Sales and Services           |
| Jan Becker          | 55         | Senior Vice President, Human Resources and Corporate Real Estate |
| Alfred J. Castino   | 55         | Senior Vice President and Chief Financial Officer                |
| Jay Bhatt           | 39         | Senior Vice President of Autodesk AEC                            |
| Chris Bradshaw      | 45         | Senior Vice President, Worldwide Marketing                       |
| Moonhie Chin        | 50         | Senior Vice President Strategic Planning and Operations          |
| Pascal W. Di Fronzo | 43         | Senior Vice President, General Counsel and Secretary             |
| Amar Hanspal        | 44         | Senior Vice President, Platform Solutions and Emerging Business  |
| Robert Kross        | 54         | Senior Vice President of the Manufacturing Solutions Division    |
| Marc Petit          | 43         | Senior Vice President, Media and Entertainment                   |

**Carl Bass** joined Autodesk in September 1993 and serves as Chief Executive Officer and President. From June 2004 to April 2006, Mr. Bass served as Chief Operating Officer. From February 2002 to June 2004, Mr. Bass served as Senior Executive Vice President, Design Solutions Group. From August 2001 to February 2002, Mr. Bass served as Executive Vice President, Emerging Business and Chief Strategy Officer. From June 1999 to July 2001, he served as President and Chief Executive Officer of Buzzsaw.com, Inc., a spin-off from Autodesk. He has also held other executive positions within Autodesk. Mr. Bass is also a director of McAfee, Inc.

**Carol A. Bartz** joined Autodesk in April 1992 and serves as Executive Chairman of the Board. Ms. Bartz' present duties include enhancing relationships with Autodesk's key customers, partners, governments and investors along with focusing on activities designed to improve the business climate for Autodesk. From April 1992 to April 2006, Ms. Bartz served as Chairman of the Board, Chief Executive Officer and President. Ms. Bartz is also a director of Cisco Systems, Inc., Intel, Inc. and Network Appliance, Inc. Prior to joining Autodesk, Ms. Bartz held various positions at Sun Microsystems, Inc., including Vice President, Worldwide Field Operations from July 1990 through April 1992.

**George M. Bado** joined Autodesk in October 2002 and serves as Executive Vice President, Worldwide Sales and Services. From October 2004 to April 2006, Mr. Bado served as Senior Vice President, DSG Worldwide Sales and Consulting. From October 2002 to October 2004, Mr. Bado served as Vice President, DSG Worldwide Sales. Prior to joining Autodesk, Mr. Bado served as a consultant to the Board of Directors of ChipData, Inc., a venture backed start up involved in electronic design verification from May 2002 to October 2002. Prior to that, Mr. Bado was Executive Vice President, Sales and Consulting for Innoveda, Inc., an electronic design automation software company, from July 2001 to April 2002 (Innoveda, Inc. was acquired by Mentor Graphics Corporation in April 2002) and from March 2000 to June 2001 was Executive Vice President, Operations for Centric Software, Inc., a product lifecycle management solutions company.

**Jan Becker** joined Autodesk in September 1992 and has served as Senior Vice President, Human Resources and Corporate Real Estate since June 2000. Ms. Becker previously served in other capacities in the Human Resources Department at Autodesk.

**Alfred J. Castino** joined Autodesk in August 2002 and serves as Senior Vice President and Chief Financial Officer. Prior to joining Autodesk, Mr. Castino was Chief Financial Officer for Virage, Inc., a video and media communication software company from January 2000 to July 2002. Prior to this, Mr. Castino served as Vice President of Finance and then Senior Vice President and Chief Financial Officer at PeopleSoft, Inc., an enterprise software company, where he worked from September 1997 to August 1999. Mr. Castino holds a CPA certificate from the State of California. Mr. Castino is also a director of Synopsys, Inc.



## Table of Contents

**Jay Bhatt** joined Autodesk in August 2001 and serves as Senior Vice President of Autodesk AEC (Architecture, Engineering and Construction) Solutions. From August 2001 to February 2004, Mr. Bhatt served as Vice President, Corporate Development and Strategic Planning. From March 2000 to July 2001, he served as Chief Financial Officer and senior vice president of Business Development of Buzzsaw.com, Inc., a spin-off of Autodesk. Prior to that, Mr. Bhatt worked as an investment banker and as a transactional attorney.

**Chris Bradshaw** joined Autodesk in September 1991 and has served as Senior Vice President and Chief Marketing Officer, Worldwide Marketing since September 2007. Prior to this, Mr. Bradshaw served as Senior Vice President, Worldwide Marketing from March 2007 to September 2007, as Vice President of Worldwide Marketing from January 2007 to March 2007, Vice President of Autodesk's Infrastructure Solutions Division (ISD) from February 2003 to January 2007, and from August 2001 to January 2003, he was Vice President of Autodesk Building Collaboration Services. He served as senior vice president of sales and marketing for Buzzsaw.com, Inc., a spin-off of Autodesk, from September 1999 to August 2001 and as sales development director for Autodesk's AEC (Architecture, Engineering and Construction) products in the Asia-Pacific region from July 1997 to August 1999. He has also held other executive and non-executive positions at Autodesk.

**Moonhie Chin** joined Autodesk in February 1989 and has served as Senior Vice President Strategic Planning and Operations since March 2007. From January 2003 to March 2007 she was Vice President Strategic Planning and Operation, and served as Vice President of Business Operations for Location Services from September 2000 to January 2003, and Vice President of Business Administration from June 1999 to September 2000. She has also held other non-executive positions at Autodesk.

**Pascal W. Di Fronzo** joined Autodesk in June 1998 and has served as Senior Vice President, General Counsel and Secretary since March 2007. From March 2006 to March 2007 Mr. Di Fronzo served as Vice President, General Counsel and Secretary and served as Vice President, Assistant General Counsel and Assistant Secretary from March 2005 through 2006. Previously, Mr. Di Fronzo served in other business and legal capacities in our Legal Department. Prior to joining Autodesk, he advised high technology and emerging growth companies on business and intellectual property transactions and litigation while in private practice.

**Amar Hanspal** joined Autodesk in June 1987 and serves as Senior Vice President, Platform Solutions and Emerging Business. From January 2003 to January 2007, Mr. Hanspal served as Vice President of Autodesk Collaboration Solutions. He served as Vice President of Marketing of RedSpark, Inc., a spin-off of Autodesk focused on building a collaborative product development system for the discrete manufacturing industry, from April 2000 to December 2001. He has also held other executive and non-executive positions at Autodesk.

**Robert Kross** has served as Senior Vice President of the Manufacturing Solutions Division since March 2007. Since joining Autodesk in November 1993, Mr. Kross has served as Vice President of the Manufacturing Solutions Division from December 2002 to March 2007 and a director in the Manufacturing Division from February 1998 to December 2002. Prior to that, he was President and co-founder of Woodbourne Inc., a provider of parametric design tools that was acquired by Autodesk in 1993.

**Marc Petit** joined Autodesk in October 2002 and serves as Senior Vice President, Media and Entertainment. Since joining Autodesk, he has served as Vice President of Product Development and Operations for the Media and Entertainment Division from October 2002 to March 2007. Prior to joining Autodesk, Mr. Petit was Vice President of Operations for Aptilon Health, an online interactive marketing company.

There is no family relationship among any of our directors or executive officers.

**Table of Contents**

**GLOSSARY OF TERMS**

**2D horizontal products** Autodesk's AutoCAD and AutoCAD LT products, which serve as the platform upon which our 2D vertical products are based. The 2D horizontal products are primarily developed by the Platform Solutions and Emerging Business Division. These products include our core design applications and can be used across a number of industries.

**2D vertical products** Autodesk's 2D vertical solutions, including AutoCAD Architecture, AutoCAD Mechanical and Autodesk MapGuide, are built upon Autodesk's AutoCAD and are enhanced with industry specific functionality.

**3D model-based design products** Autodesk's 3D model-based design products, (Revit products, Autodesk Inventor products, AutoCAD Civil 3D, and NavisWorks products).

**BIM (Building Information Modeling)** BIM describes a model-based technology linked with a database of project information, and is the process of generating and managing information throughout the life cycle of a building. BIM is used as a digital representation of the building process to facilitate exchange and interoperability of information in digital formats.

**Digital prototyping** Digital prototyping allows designers, architects and engineers to analyze, simulate and visualize a design using a digital or virtual model rather than a physical model.

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**Table of Contents**

**ITEM 1A. RISK FACTORS**

We operate in a rapidly changing environment that involves a number of risks, many of which are beyond our control. In addition to the other information contained in this Form 10-K, the following discussion highlights some of these risks and the possible impact of these factors on future results of operations. If any of the following risks actually occur, our business, financial condition or results of operations may be adversely impacted, causing the trading price of our common stock to decline. In addition, these risks and uncertainties may impact the forward-looking statements described elsewhere in this Form 10-K and in the documents incorporated herein by reference. They could affect our actual results of operations, causing them to differ materially from those expressed in forward-looking statements.

*General economic conditions may affect our net revenue and harm our business.*

As our business has expanded globally, we have become increasingly subject to the risks arising from adverse changes in domestic and global economic and political conditions. Economic growth in the United States slowed in the fourth quarter of fiscal 2008. If economic growth in the United States and other countries economies slows, or continues to slow in the United States, many customers may delay or reduce technology purchases. This could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition. In addition, weakness in the end-user market could negatively affect the cash flow of our distributors and resellers who could, in turn, delay paying their obligations to us, which would increase our credit risk exposure and cause delays in our recognition of revenue on future sales to these customers. Any of these events would likely harm our business, results of operations and financial condition.

*Our efforts to develop and introduce new product and service offerings expose us to risks such as limited customer acceptance, costs related to product defects and large expenditures that may not result in additional net revenue.*

Rapid technological changes, as well as changes in customer requirements and preferences, characterize the software industry. We are devoting significant resources to the development of technologies, like our vertical design products and our digital prototyping and collaboration products. In addition, we are introducing new business models that require a considerable investment of technical and financial resources. Such investments may not result in sufficient revenue generation to justify their costs, or competitors may introduce new products and services that achieve acceptance among our current customers, adversely affecting our competitive position. In particular, a critical component of our growth strategy is to convert our customers of AutoCAD and AutoCAD LT to related vertical industry products and to our 3D model-based design products such as the Autodesk Inventor products, the Revit products, AutoCAD Civil 3D and NavisWorks products. Should sales of AutoCAD, AutoCAD upgrades and AutoCAD LT products decrease without a corresponding conversion of customer seats to our 2D vertical products and 3D model-based design products, our results of operations will be adversely affected.

Additionally, the software products we offer are complex, and despite extensive testing and quality control, may contain errors or defects. These defects or errors could result in the need for corrective releases to our software products, damage to our reputation, loss of revenue, an increase in product returns or lack of market acceptance of our products, any of which would likely harm our business.

*Net revenue 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. The market price for our common stock may be affected by a number of factors, including shortfalls in our net revenue, earnings or key performance metrics; changes in estimates or recommendations by securities analysts; the announcement of new products or product enhancements by us or our competitors;

## Table of Contents

quarterly variations in our or our competitors' results of operations; developments in our industry; unusual events such as significant acquisitions, divestitures and litigation; and general socio-economic, political or market conditions and other factors, including factors unrelated to our operating performance, like the current credit issues effecting the economy or the operating performance of our competitors.

In addition, significant changes in the price of our common stock could expose the Company to additional costly and time-consuming litigation. Historically, after periods of volatility in the market price of a company's securities, a company becomes more susceptible to securities class action litigation. This type of litigation is often expensive and diverts management's attention and resources.

*Because we derive a substantial portion of our net revenue from AutoCAD-based software products, if these products are not successful, our net revenue will be adversely affected.*

We derive a substantial portion of our net revenue from sales of licenses of AutoCAD software, including products based on AutoCAD that serve specific vertical markets, upgrades to those products and products that are interoperable with AutoCAD. As such, any factor adversely affecting sales of these products, including the product release cycle, market acceptance, product competition, performance and reliability, reputation, price competition, economic and market conditions and the availability of third-party applications, would likely harm our operating results.

*Our international operations expose us to significant regulatory, intellectual property, collections, currency exchange rate, taxation and other risks, which could adversely impact our future net revenue and increase our net expenses.*

We anticipate that international operations will continue to account for a significant portion of our net revenue and as we expand our international development expertise, will provide significant support to our overall development efforts. Risks inherent in our international operations include fluctuating currency exchange rates, unexpected changes in regulatory practices and tariffs, difficulties in staffing and managing foreign sales and development operations, longer collection cycles for accounts receivable, potential changes in tax laws, tax arrangements with foreign governments and laws regarding the management of data, possible future limitations upon foreign owned businesses, and greater difficulty in protecting intellectual property.

Our international results will also continue to be impacted by general economic and political conditions in foreign markets generally, including conditions in foreign markets resulting from economic and political conditions in the United States. These factors may adversely impact our future international operations and consequently our business as a whole.

*We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.*

Because we conduct a substantial portion of our business outside the United States, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and economic conditions change, and they could have a material adverse impact on our financial results and cash flows.

We use derivative instruments to manage a portion of our earnings exposure and cash flow exposure to fluctuations in foreign currency exchange rates. As part of our risk management strategy, we use foreign currency forward and option contracts to manage a portion of our exposures of underlying assets, liabilities and other obligations, which exist as part of our ongoing business operations. These foreign currency instruments have maturities of less than three months. These instruments provide us with some protection against currency exposures for only the current quarter. Significant appreciation of the U.S. dollar against foreign currencies may adversely impact our future net revenue.

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**Table of Contents**

*Our investment portfolio is composed of a variety of investment vehicles in a number of countries which are subject to economic factors, interest rate trends and market volatility. If general economic conditions create a decline in interest rates, deterioration in the credit rating of our investments, or illiquidity in the financial marketplace, we may experience a decline in interest income, an inability to sell our investments, or an impairment in the value of our investments.*

We invest our cash, cash equivalents and marketable securities with and in the custody of financial institutions with high credit ratings and limit the amounts invested with any one institution, type of security and issuer. However, we are subject to general economic conditions, interest rate trends and volatility in the financial marketplace that can affect the income that we receive from our investments, the value of our investments, and our ability to sell them. In the United States, for example, if the Federal Reserve continues to lower interest rates, the yields on our portfolio securities may decline. Any one of these factors could reduce our interest income, which in turn could impact our overall net income and earnings per share.

At January 31, 2008, we had auction rate securities with an estimated fair value of \$8.4 million (\$9.0 million cost basis) included in non-current Marketable securities due to their lack of liquidity. These AAA-rated auction rate securities, which met our investment guidelines at the time the investments were made, have failed to settle at monthly auctions since August 2007. The failed auctions resulted in the interest rate on these investments resetting at a premium as a result of a lack of liquidity for the underlying investment. We determined that these securities are temporarily impaired because the securities are fully insured, we earn a premium interest rate on the investments, the duration of the auction failures are believed to be a temporary market condition, and we have the intention and ability to hold the securities until the market value can be realized. However, in the future, if these issuers are unable to successfully close future auctions and their credit deteriorates, we may be required to adjust the carrying value of the investment through an impairment charge.

*If we do not maintain our relationships with the members of our distribution channel, or achieve anticipated levels of sell-through, our ability to generate net revenue will be adversely affected.*

We sell our software products both directly to customers and through a network of distributors and resellers. Our ability to effectively distribute our products depends in part upon the financial and business condition of our reseller network. Computer software distributors and resellers are typically not highly capitalized and have previously experienced difficulties during times of economic contraction and may do so in the future. While we have processes to ensure that we assess the creditworthiness of dealers and distributors prior to our sales to them, if their financial condition were to deteriorate, they might not be able to make repeat purchases. We rely significantly upon major distributors and resellers in both the United States and international regions, including Tech Data Corporation and their affiliates, which accounted for 14% of our consolidated net revenue for fiscal 2008 and 12% of our consolidated net revenue for fiscal 2007. Over time, we have modified and will continue to modify aspects of our relationship with our resellers, such as their incentive programs, pricing to them and our distribution model, to motivate and reward them for aligning their businesses with our strategy and business objectives. Changes in these relationships and underlying programs could negatively impact their business and harm our business. In addition, the loss of or a significant reduction in business with those distributors or resellers or the failure to achieve anticipated levels of sell-through with any one of our major international distributors or large resellers could harm our business. In particular, if one or more of such resellers were unable to meet their obligations with respect to accounts payable to us, we could be forced to write off such accounts and may be required to delay the recognition of revenue on future sales to these customers, which could have a material adverse effect on our results of operations in a given period.

*Incentives under our Partner Incentive Program and product returns could exceed our estimates and harm our net revenue.*

We provide our channel partners incentives through our Partner Incentive Program. This is a short-term plan that uses monetary rewards to motivate distributors and resellers to achieve business goals in a specified time

## Table of Contents

period. The majority of these goals are defined by quarterly targets. The majority of our partner incentive reserves reduce license and other revenue in the current period. The remainder relates to incentives on our Subscription Program and reduces deferred revenue in the period the subscription transaction is billed. This reduction in deferred revenue results in a reduction of maintenance revenue over the maintenance contract period. We also permit our distributors and resellers to return products subject to certain limitations. Consistent with our experience in fiscal 2008, we anticipate that product returns will continue to be driven by new product releases, product update cycles and software quality.

We establish revenue reserves for incentives under our Partner Incentive Program and for product returns. Partner incentive reserves are based on achievement against purchase quotas for each distributor and reseller. We also establish product return reserves based on historical experience, estimated channel inventory levels and the timing of new product introductions and other factors. While we maintain strict measures to monitor our partner incentive and product return reserves, actual incentives or product returns may exceed our reserve estimates, and such differences could harm our business.

*Existing and increased competition may reduce our net revenue and profits.*

The software industry has limited barriers to entry, and the availability of desktop computers with continually expanding performance at progressively lower prices contributes to the ease of market entry. The markets in which we compete are characterized by vigorous competition, both by entry of competitors with innovative technologies and by consolidation of companies with complementary products and technologies. In addition, some of our competitors in certain markets have greater financial, technical, sales and marketing and other resources. Furthermore, a reduction in the number and availability of compatible third-party applications may adversely affect the sale of our products. Because of these and other factors, competitive conditions in the industry are likely to intensify in the future. Increased competition could result in continued price reductions, reduced net revenue and profit margins and loss of market share, any of which would likely harm our business.

We believe that our future results depend largely upon our ability to offer products that compete favorably with respect to reliability, performance, ease of use, range of useful features, continuing product enhancements, reputation and price.

*We have been named as a party in lawsuits related to our historical stock option practices and related accounting, and we may be named in additional litigation in the future, all of which could result in an unfavorable outcome and have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price for our securities.*

Three lawsuits have been filed against us and our current officers and certain of our current and former directors and officers relating to our historical stock option practices and related accounting. See Note 6, Commitments and Contingencies in the Notes to Consolidated Financial Statements for a more detailed description of these proceedings. These actions are in the preliminary stages, and the ultimate outcomes could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price for our securities.

We may become the subject of additional private or government actions in the future, including stockholder or employee litigation. Litigation may be time-consuming, expensive and disruptive to normal business operations, and the outcome of litigation is difficult to predict. The defense of lawsuits may result in significant expenditures and the diversion of our management's time and attention from the operation of our business, which could impede our business. All or a portion of any amount we may be required to pay to satisfy a judgment or settlement of any claims may not be covered by insurance.

## **Table of Contents**

*While we believe we currently have adequate internal control over financial reporting, we are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.*

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 ( Section 404 ), we are required to furnish a report by our management on our internal control over financial reporting. The report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management.

While we have determined in our Management Report on Internal Control over Financial Reporting included in this Form 10-K, that our internal control over financial reporting was effective as of January 31, 2008, we must continue to monitor and assess our internal control over financial reporting. If our management identifies one or more material weaknesses in our internal control over financial reporting and such weakness remains uncorrected at fiscal year end, we will be unable to assert such internal control is effective at fiscal year end. If we are unable to assert that our internal control over financial reporting is effective at fiscal year end (or if our independent registered public accounting firm are unable to express an opinion on the effectiveness of our internal controls), we could lose investor confidence in the accuracy and completeness of our financial reports, which would likely have an adverse effect on our business and stock price.

*We may face intellectual property infringement claims that could be costly to defend and result in our loss of significant rights.*

As more and more software patents are granted worldwide, as the number of products and competitors in our industry segments grows and as the functionality of products in different industry segments overlaps, we expect that software product developers will be increasingly subject to infringement claims. Infringement or misappropriation claims have in the past been, and may in the future be, asserted against us, and any such assertions could harm our business. Additionally, certain patent holders without products have become more aggressive in threatening and pursuing litigation in attempts to obtain fees for licensing the right to use patents. Any such claims or threats, whether with or without merit, have been and could in the future be time-consuming to defend, result in costly litigation and diversion of resources, or could cause product shipment delays or require us to enter into royalty or licensing agreements. In addition, such royalty or license agreements, if required, may not be available on acceptable terms, if at all, which would likely harm our business.

*Changes in existing financial accounting standards or practices, or taxation rules or practices may adversely affect our results of operations.*

Changes in existing accounting or taxation rules or practices, new accounting pronouncements or taxation rules, or varying interpretations of current accounting pronouncements or taxation practice could have a significant adverse effect on our results of operations or the manner in which we conduct our business. Further, such changes could potentially affect our reporting of transactions completed before such changes are effective. In particular, for fiscal 2007, we adopted Statement of Financial Accounting Standards No. 123R ( SFAS 123R ) which requires us to record stock-based compensation charges to earnings for employee stock option grants using a fair-value-based method for determining such charges. We believe that the adoption of SFAS 123R will continue to materially adversely impact our earnings and may impact the manner in which we conduct our business.

*Our business could suffer as a result of risks associated with strategic acquisitions and investments such as the acquisition of NavisWorks, Robobat and Hanna Strategies.*

We periodically acquire or invest in businesses, software products and technologies that are complementary to our business through strategic alliances, equity investments or acquisitions. For example, we recently

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**Table of Contents**

completed the acquisition of NavisWorks, Robobat and Hanna Strategies. The risks associated with such acquisitions include, among others, the difficulty of assimilating the products, operations and personnel of the companies, the failure to realize anticipated revenue and cost projections, the requirement to test and assimilate the internal control processes of the acquired business in accordance with the requirements of Section 404, and the diversion of management's time and attention. In addition, such acquisitions and investments may involve significant transaction or integration-related costs. We may not be successful in overcoming such risks, and such acquisitions and investments may negatively impact our business. In addition, such acquisitions and investments have in the past and may in the future contribute to potential fluctuations in quarterly results of operations. The fluctuations could arise from transaction-related costs and charges associated with eliminating redundant expenses or write-offs of impaired assets recorded in connection with acquisitions and investments. We also may need to make further investments to support these acquired companies and may have difficulty identifying and acquiring appropriate resources. These costs or charges, including those relating to the NavisWorks, Robobat and Hanna Strategies acquisitions, could negatively impact results of operations for a given period or cause quarter to quarter variability in our operating results.

*Our operating results fluctuate within each quarter and from quarter to quarter making our future revenue and operating results difficult to predict.*

Our quarterly operating results have fluctuated in the past and may do so in the future. These fluctuations could cause our stock price to change significantly or experience declines. Some of the factors that could cause our operating results to fluctuate include the timing of the introduction of new products by us or our competitors, slowing of momentum in upgrade or maintenance revenue, the adoption of SFAS 123R, which required us to record compensation expense for shares issued under our stock plans beginning in the first quarter of fiscal 2007 with a negative impact on our results of operations, fluctuation in foreign currency exchange rates, failure to achieve anticipated levels of customer acceptance of key new applications, failure to follow sales policies, unexpected costs or other operating expenses, changes in product pricing or product mix, platform changes, failure to convert our 2D customer base to 3D model-based design products, timing of product releases and retirements, failure to continue momentum of frequent release cycles or to move a significant number of customers from prior product versions in connection with our programs to retire major products, unexpected outcomes of matters relating to litigation, failure to achieve continued cost reductions and productivity increases, unanticipated changes in tax rates and tax laws, distribution channel management, changes in sales compensation practices, the timing of large Advanced Systems sales, failure to effectively implement our copyright legalization programs, especially in developing countries, failure to successfully integrate acquired businesses and technologies, failure to achieve sufficient sell-through in our channels for new or existing products, the financial and business condition of our reseller and distribution channels, renegotiation or termination of royalty or intellectual property arrangements, interruptions or terminations in the business of our consultants or third party developers, failure to grow lifecycle management or collaboration products, unanticipated impact of accounting for technology acquisitions and general economic conditions, particularly in countries where we derive a significant portion of our net revenue.

We have also experienced fluctuations in operating results in interim periods in certain geographic regions due to seasonality or regional economic conditions. In particular, our operating results in Europe during the third quarter are usually affected by a slow summer period, and the Asia Pacific operations typically experience seasonal slowing in the third and fourth quarters.

Our operating expenses are based in part on our expectations for future revenue and are relatively fixed in the short term. Accordingly, any revenue shortfall below expectations could have an immediate and significant adverse effect on our profitability. Greater than anticipated expenses or a failure to maintain rigorous cost controls would also negatively affect profitability. Further, gross margins may be adversely affected if our sales of AutoCAD LT, upgrades and Advanced Systems products, which historically have had lower margins, grow at a faster rate than sales of our higher-margin products.



## **Table of Contents**

*We cannot accurately predict customer subscription attach and renewal rates and the impact these attach and renewal rates will have on our future revenue or operating results.*

Our maintenance customers have no obligation to attach maintenance to their initial license or renew their maintenance subscriptions after the expiration of their initial subscription period, which is typically one year. Our customers' attachment and renewal rates may decline or fluctuate as a result of a number of factors. If our customers do not attach maintenance to their initial license or renew their subscriptions for our products, then our maintenance revenue will decline and our business will suffer.

*We rely on third party technologies and if we are unable to use or integrate these technologies, our product and service development may be delayed.*

We rely on certain software that we license from third parties, including software that is integrated with internally developed software and used in our products to perform key functions. These third-party software licenses may not continue to be available on commercially reasonable terms, and the software may not be appropriately supported, maintained or enhanced by the licensors. The loss of licenses to, or inability to support, maintain and enhance any such software could result in increased costs, or in delays or reductions in product shipments until equivalent software could be developed, identified, licensed and integrated, which would likely harm our business.

*We are investing resources in updating and improving our internal information technology systems. Should our investments not succeed, or if delays or other issues with a new internal technology system disrupt our operations, our business would be harmed.*

We rely on our network and data center infrastructure, internal technology systems and our websites for our development, marketing, operational, support and sales activities. We are continually investing resources to update and improve these systems and environments in order to meet the growing requirements of our business and customers. For example, in November 2007, we converted from two order entry systems to a single order entry system. The objectives of this conversion were to improve the efficiency of operations for Autodesk and our resellers. Unsuccessful implementation of hardware or software updates and improvements could result in disruption in our business operations, loss of revenue or damage to our reputation.

*Disruptions with licensing relationships and third party developers could adversely impact our business.*

We license certain key technologies from third parties. Licenses may be restricted in the term or the use of such technology in ways that negatively affect our business. Similarly, we may not be able to obtain or renew license agreements for key technology on favorable terms, if at all, and any failure to do so could harm our business.

Our business strategy has historically depended in part on our relationships with third-party developers who provide products that expand the functionality of our design software. Some developers may elect to support other products or may experience disruption in product development and delivery cycles or financial pressure during periods of economic downturn. In particular markets, such disruption would likely negatively impact these third-party developers and end users, which could harm our business.

Additionally, technology created by outsourced product development, whether outsourced to third parties or developed externally and transferred to us through business or technology acquisitions have certain additional risks. These risks including potential difficulties with effective integration into existing products, adequate transfer of technology know-how and ownership and protection of transferred intellectual property.

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**Table of Contents**

*As a result of our strategy of partnering with other companies for product development, our product delivery schedules could be adversely affected if we experience difficulties with our product development partners.*

We partner with certain independent firms and contractors to perform some of our product development activities. We believe our partnering strategy allows us to, among other things, achieve efficiencies in developing new products and maintaining and enhancing existing product offerings. Our partnering strategy creates a dependency on such independent developers. Independent developers, including those who currently develop products for us in the United States and throughout the world, may not be able or willing to provide development support to us in the future. In addition, use of development resources through consulting relationships, particularly in non-US jurisdictions with developing legal systems, may be adversely impacted by, and expose us to risks relating to, evolving employment, export and intellectual property laws. These risks could, among other things, expose our intellectual property to misappropriation and result in disruptions to product delivery schedules.

*Our business would be adversely affected if we are unable to attract and retain key personnel.*

Our success depends largely on our ability to attract and retain highly skilled technical, managerial, sales and marketing personnel. Competition for these personnel is intense. The loss of services of any of our key personnel, the inability to retain and attract qualified personnel in the future, or delays in hiring required personnel, particularly engineering and sales personnel, could make it difficult to meet key objectives, such as timely and effective product introductions.

*If we are not able to adequately protect our proprietary rights, our business could be harmed.*

We rely on a combination of patents, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary rights. Despite such efforts to protect our proprietary rights, unauthorized parties from time to time have copied aspects of our software products or have obtained and used information that we regard as proprietary. Policing unauthorized use of our software products is time-consuming and costly. While we have recovered some revenue resulting from the unauthorized use of our software products, we are unable to measure the extent to which piracy of our software products exists, and software piracy can be expected to be a persistent problem. Furthermore, our means of protecting our proprietary rights may not be adequate, and our competitors may independently develop similar technology.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

We have received no written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our 2008 fiscal year that remain unresolved.

**ITEM 2. PROPERTIES**

We lease 2,023,000 square feet of office space in 121 locations in the United States and internationally through our foreign subsidiaries. Our executive offices and corporate headquarters are located in leased office space in San Rafael, California. Our San Rafael facilities consist of 366,000 square feet under leases that have expiration dates ranging from December 2009 to November 2012. We and our foreign subsidiaries lease additional space in various locations throughout the world for local sales, product development and technical support personnel.

All facilities are in good condition and are operating at capacities averaging 79% occupancy worldwide as of January 31, 2008. We believe that our existing facilities and offices are adequate to meet our requirements for the foreseeable future. See Note 6, Commitments and Contingencies, in the Notes to Consolidated Financial Statements for more information about our lease commitments.

**Table of Contents****ITEM 3. LEGAL PROCEEDINGS**

On August 26, 2005, Telstra Corporation Limited ( Telstra ) filed suit in the Federal Court of Australia, Victoria District Registry against Autodesk Australia Pty Ltd. ( AAPL ) seeking partial indemnification for claims filed against Telstra by SpatialInfo Pty Limited relating to Telstra's use of certain software in the management of its computer based cable plant records system. On December 12, 2005, SpatialInfo added AAPL as a defendant to its lawsuit against Telstra. In February 2008, the parties agreed to settle all outstanding claims and dismiss the action. The final resolution of the litigation did not have a material effect on Autodesk's results of operations, cash flows or financial position in a particular period.

During the fourth quarter of fiscal 2007, three stockholder derivative lawsuits were filed against Autodesk and certain of the Company's current and former directors and officers relating to its historical stock option practices and related accounting. On November 20, 2006, the Company and certain of its current and former members of the Board were sued in United States Federal District Court for the Northern District of California in a stockholder derivative action, entitled Giles v. Bartz, et al., Case No. C06-8175 (the Giles Case ). On December 29, 2006, the Company, certain of its current and former members of the Board, and certain current and past executive officers were sued in United States Federal District Court for the Northern District of California in a stockholder derivative action, entitled Campion v. Sutton, et al., Case No. C06-07967. This lawsuit was consolidated into the previously mentioned Giles case and later voluntarily dismissed by the plaintiff on January 31, 2007. On January 9, 2007, the Company, certain of its current and former members of the Board, and certain current and former executive officers were sued in the Superior Court for the State of California, County of Marin in a stockholder derivative action, entitled Koerner v. Bartz, et al., Case No. CV-070112 (the Koerner Case ). The plaintiff in the Giles Case filed an amended and restated complaint on December 3, 2007 and the plaintiff in the Koerner Case filed an amended and restated complaint on December 7, 2007. Autodesk cannot determine the final financial impact of these matters based on the facts known at this time. However, it is possible that an unfavorable resolution of the matters could occur and materially affect its future results of operations, cash flows or financial position in a particular period.

In connection with Autodesk's anti-piracy program, designed to enforce copyright protection of the Company's software and conducted both internally and through the Business Software Alliance ( BSA ), from time to time Autodesk undertakes litigation against alleged copyright infringers or provides information to criminal justice authorities to conduct actions against alleged copyright infringers. Such lawsuits have led to counter claims alleging improper use of litigation or violation of other local law and have recently increased in frequency, especially in Latin America.

In addition, Autodesk is involved in legal proceedings from time to time arising from the normal course of business activities including claims of alleged infringement of intellectual property rights, commercial, employment, piracy prosecution and other matters. In the Company's opinion, resolution of pending matters is not expected to have a material adverse effect on its consolidated results of operations, cash flows or its financial position. However, it is possible that an unfavorable resolution of one or more such proceedings could in the future materially affect its future results of operations, cash flows or financial position in a particular period.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

At our Special Meeting of Stockholders held on November 6, 2007, the following proposal was approved by the stockholders.

|   | Votes For   | Votes Against | Abstentions | Broker Non-Votes |
|---|-------------|---------------|-------------|------------------|
| Proposal to approve Autodesk's 2008 Employee Stock Plan and the reservation of 16.5 million shares of Autodesk's common stock, plus a number of additional shares equal to that number of shares cancelled on expiration of the 2006 Employee Stock Plan in March 2008 (not to exceed 1.0 million shares), for issuance thereunder. | 150,905,489 | 34,647,206    | 1,634,751   |                  |

**Table of Contents****PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is traded on the NASDAQ Global Select Market under the symbol ADSK. The following table lists the high and low sales prices for each quarter in the last two fiscal years.

|                | High     | Low      |
|----------------|----------|----------|
| Fiscal 2008    |          |          |
| First Quarter  | \$ 44.72 | \$ 37.15 |
| Second Quarter | \$ 47.90 | \$ 41.40 |
| Third Quarter  | \$ 50.80 | \$ 40.47 |
| Fourth Quarter | \$ 51.04 | \$ 40.11 |
| Fiscal 2007    |          |          |
| First Quarter  | \$ 43.62 | \$ 35.30 |
| Second Quarter | \$ 41.47 | \$ 30.06 |
| Third Quarter  | \$ 37.28 | \$ 31.48 |
| Fourth Quarter | \$ 44.49 | \$ 34.68 |

**Dividends**

We did not declare any cash or stock dividends in either fiscal 2008 or fiscal 2007. We anticipate that, for the foreseeable future, we will retain any earnings for use in the operation of our business.

**Stockholders**

As of January 31, 2008 the number of common stockholders of record was 640. Because many of our shares of common stock are held by brokers or other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by the record holders.

**Issuer Purchases of Equity Securities**

The purpose of Autodesk's stock repurchase program is to help offset the dilution to net income per share caused by the issuance of stock under our employee stock plans as well as to more effectively utilize excess cash generated from our business. The number of shares acquired and the timing of the purchases are based on several factors, including the level of our cash balances, general business and market conditions, the market price of our stock, and other investment opportunities. At January 31, 2008, 24.1 million shares remained available for repurchase under the existing repurchase authorization. See Note 7, "Stockholders' Equity," in the Notes to Consolidated Financial Statements for further discussion.

**Table of Contents**

The following table provides information about the repurchase of our common stock during the three months ended January 31, 2008:

| (Shares in thousands) |             | Total<br>Number<br>of Shares<br>Purchased | Average<br>Price<br>Paid<br>per<br>Share | Total Number of<br>Shares Purchased<br>as Part of Publicly<br>Announced Plans<br>or Programs | Maximum Number of<br>Shares that May Yet<br>Be Purchased Under<br>the Plans or<br>Programs |
|-----------------------|-------------|---|--|--|--|
| November 1            | November 30 | 551                                       | \$ 45.97                                 | 551  | 5,649  |
| December 1            | December 31 | 1,513                                     | 49.05                                    | 1,513  | 24,136   |
| January 1             | January 31  |   |  |  |  |
| Total                 |             | 2,064(1)                                  | \$ 48.23                                 | 2,064(1)   | 24,136(2)  |

- (1) Represents shares purchased in open-market transactions under stock repurchase plans approved by the Board of Directors in December 2004 and December 2007.
- (2) This amount corresponds to the plan approved by the Board of Directors in December 2004, which authorized the repurchase of an additional 24.0 million shares, and the plan approved by the Board of Directors in December 2007, which authorized the repurchase of an additional 20.0 million shares. These plans, announced in December 2004 and 2007, respectively, do not have fixed expiration dates.

**Company Stock Performance**

The following graph shows a five-year comparison of cumulative total return (equal to dividends plus stock appreciation) for our Common Stock, the Standard & Poor's 500 Stock Index and the Dow Jones U.S. Software Index.

**Comparison of Five Year Cumulative Total Stockholder Return(1)**

- (1) Assumes \$100 invested in January 31, 2003, in Autodesk's stock, the Standard & Poor's 500 Stock Index, and the Dow Jones U.S. Software Index, with reinvestment of all dividends. Total stockholder returns for prior periods are not an indication of future investment returns.

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA**

The following selected consolidated financial data is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and related notes thereto included in Item 8 of this Form 10-K to fully understand factors that may affect the comparability of the information presented below. The financial data for the years ended January 31, 2008, 2007 and 2006 are derived from, and are qualified by reference to, the audited consolidated financial statements that are included in this Form 10-K. The financial data for the year ended January 31, 2005 is derived from audited and consolidated financial statements, which are not included in this Form 10-K; the financial data for the year ended January 31, 2004 is derived from unaudited consolidated financial statements, which are not included in this Form 10-K.

|                              | 2008       | Fiscal year ended January 31,        |            |            | 2004       |
|------------------------------|------------|--------------------------------------|------------|------------|------------|
|                              |            | 2007                                 | 2006       | 2005       |            |
|                              |            | (In millions, except per share data) |            |            | Unaudited  |
| <b>For the Fiscal Year</b>   |            |                                      |            |            |            |
| Net revenue                  | \$ 2,171.9 | \$ 1,839.8                           | \$ 1,537.2 | \$ 1,238.9 | \$ 951.6   |
| Income from operations(1)    | 445.6      | 349.7                                | 378.5      | 231.7      | 101.2      |
| Net income(1)(2)             | 356.2      | 289.7                                | 333.6      | 221.1      | 115.3      |
| <b>At Year End</b>           |            |                                      |            |            |            |
| Total assets                 | \$ 2,208.9 | \$ 1,797.5                           | \$ 1,355.8 | \$ 1,140.6 | \$ 1,017.2 |
| Long-term liabilities        | 231.9      | 108.3                                | 65.0       | 27.6       | 11.3       |
| Stockholders' equity         | 1,230.5    | 1,115.0                              | 803.0      | 649.8      | 620.8      |
| <b>Common Stock Data</b>     |            |                                      |            |            |            |
| Basic net income per share   | \$ 1.55    | \$ 1.26                              | \$ 1.46    | \$ 0.97    | \$ 0.52    |
| Diluted net income per share | 1.47       | 1.19                                 | 1.35       | 0.90       | 0.50       |
| Dividends paid per share     |            |                                      | 0.015      | 0.06       | 0.06       |

- (1) Under Statement of Financial Accounting Standards No. 123 revised 2004, Share-Based Payment, ( SFAS No. 123R ) net income for fiscal 2008 and 2007 includes stock-based compensation expense of \$99.3 million and \$94.3 million, respectively. Results for fiscal 2008 and 2007 also include amortization of acquisition-related intangibles of \$20.2 million and \$14.4 million, respectively and results for fiscal 2008 include in-process research and development from acquisitions of \$5.5 million. Results for fiscal 2008 also include \$13.7 million for employee tax expenses related to our voluntary review of historical stock option grant practices. Results for fiscal 2007 also include litigation expenses related to a patent infringement lawsuit of \$5.0 million. Fiscal 2005 and 2004 results include restructuring charges of \$26.7 million and \$3.2 million, respectively.
- (2) Fiscal 2008 results include discrete net tax expense of \$1.9 million. Fiscal 2007, 2006, 2005, and 2004 results include net tax benefits of \$15.1 million, \$19.4 million, \$26.8 million, and \$26.7 million, respectively. These items relate to audit period closures, DRD legislation, reserve releases, federal research & development credits, and FSC benefit. See Note 3, Income Taxes, in the Notes to Consolidated Financial Statements for further discussion.

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**Table of Contents****ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The discussion in our MD&A contains trend analyses and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are any statements that look to future events and consist of, among other things, our business strategies, anticipated future operating results, including net revenue, product backlog, upgrade, crossgrade and maintenance revenue, the effect of fluctuations in exchange rates on net revenue and expenses, costs and expenses, including cost of revenue and operating expenses, future income, our anticipated tax rate, planned product retirement and annual release cycle. In addition, forward-looking statements also consist of statements involving expectations regarding product acceptance, continuation of our stock repurchase program, and short-term and long-term cash requirements, as well as, statements involving trend analyses and statements including such words as may, believe, could, anticipate, would, might, plan, expect, and similar expressions or the negative of these terms or other comparable terminology. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K and are subject to business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth above in Item 1A, Risk Factors, and in our other reports filed with the Securities and Exchange Commission. We assume no obligation to update the forward-looking statements to reflect events that occur or circumstances that exist after the date on which they were made.*

**Strategy**

Our goal is to be the world's leading 2D and 3D design software and services company for the architecture, engineering, construction, manufacturing, geospatial mapping and digital media markets. Our focus is to offer our customers the ability to visualize, simulate and analyze real-world performance early in the design process to foster innovation, enhance quality, and save time and money. Worldwide business trends such as globalization, sustainability, investment in infrastructure, and the price of oil are creating pressure on our customers to increase innovation while improving productivity. Our customers are seeking differentiation through design, and we believe our products provide a competitive advantage to succeed in this environment.

We believe that our ability to make technology available to mainstream markets is one of our competitive advantages. By innovating in existing technology categories, we bring powerful design products to volume markets. Our products are designed to be easy to learn and use, and to provide customers low cost of deployment, low total cost of ownership and a rapid return on investment. In addition, our software architecture allows for extensibility and integration.

We have created a large global community of resellers, third-party developers and customers, which provides us with a broad reach into volume markets. Our reseller network is extensive and provides our customers with global resources for the purchase and support of our products as well as resources for effective and cost efficient training services. We have a significant number of registered third-party developers, creating products that operate with our software products, further extending our reach into volume markets. Users trained on our products are broadly available both from universities and the existing work force, reducing the cost of training for our customers. To train the next generation of users, we offer education programs, including classroom support, standardized curricula, instructor development, and specially priced software-purchasing options.

Our growth strategy derives from these core strengths. We continue to increase the business value of our desktop design tools in a number of ways. We improve the performance and functionality of existing products with each new release. Our most recent product release commenced in March 2008. Beyond our 2D horizontal design products, we develop products addressing industry-specific needs including 2D vertical and 3D model-based products. We continually strive to improve our product functionality and specialization by industry while increasing product interoperability and usability. By doing this, we drive technology democratization and increase customer loyalty.

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## **Table of Contents**

In addition, we believe that migration of our customers from our 2D horizontal products to our 2D vertical products and 3D model-based design products, presents a significant growth opportunity. For fiscal 2008, revenue from 3D model-based design products increased 26% as compared to the prior fiscal year, and Autodesk shipped more than 159,300 commercial seats (which includes new seats and crossgrade seats) of 3D model-based design products, including 76,400 seats of Revit, 52,500 seats of Autodesk Inventor and 30,400 seats of AutoCAD Civil 3D. While the rate of migration to 2D vertical products and 3D model-based design products varies from industry to industry, adoption of 2D vertical products and 3D model-based design software should increase the productivity of our customers in all industries and result in richer design data. However, this migration also poses various risks to us. In particular, if we do not successfully convert our 2D horizontal customer base to our 2D vertical products and 3D model-based design products as expected, sales of our 2D horizontal products may decrease without a corresponding increase in customer seats of our 2D vertical products and 3D model-based design products, we would not realize the growth we expect and our business would be adversely affected.

Expanding our geographic coverage is a key element of our growth strategy. We believe that rapidly growing emerging economies present significant growth opportunities for us. In fiscal 2008, revenue from emerging economies increased 40% as compared to fiscal 2007. Revenue from emerging economies represented 17% of fiscal 2008 net revenue as compared 14% of fiscal 2007 net revenue. Conducting business in these emerging economies presents significant challenges, including intellectual property protection and software piracy, which remain substantial problems.

Another significant part of our growth strategy is to continue to move customers to our Subscription Program. We strive to sell subscription contracts to all new customers, migrate existing upgrade customers to subscription contracts and renew subscription contracts with existing subscription customers. This business model results in a more efficient sales process than our traditional upgrade process and reduces volatility in our revenue. Moving customers to our Subscription Program ensures that we have more customers on current versions of our products, increases customer loyalty and increases the likelihood that they will migrate to our 3D model-based design products. All revenue from our Subscription Program is Maintenance Revenue on our Consolidated Statements of Income. Maintenance revenue grew 31% in fiscal 2008, as compared to growth of 54% in the prior fiscal year. Our subscription base has grown substantially over the past several years and now consists of nearly 1.5 million users. As a result, while we expect growth in maintenance revenue from our Subscription Program in the future to continue to be strong, we expect the growth rate to be lower than in the past.

## **Critical Accounting Policies and Estimates**

Our consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles. In preparing our consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on amounts reported in our consolidated financial statements. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We regularly reevaluate our assumptions, judgments and estimates. We believe that of our significant accounting policies, which are described in Note 1, Business and Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements, the following policies involve a higher degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

*Revenue Recognition.* Our accounting policies and practices are in compliance with Statement of Position 97-2, Software Revenue Recognition, as amended, and SEC Staff Accounting Bulletin No. 104, Revenue Recognition.



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**Table of Contents**

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collection is probable. However, determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenue we report.

For multiple element arrangements that include software products, we allocate the sales price among each of the deliverables using the residual method, under which revenue is allocated to undelivered elements based on their vendor-specific objective evidence ( VSOE ) of fair value. VSOE is the price charged when an element is sold separately or a price set by management with the relevant authority. If we do not have VSOE of the undelivered element, we defer revenue recognition on the entire sales arrangement until all elements are delivered. We are required to exercise judgment in determining whether VSOE exists for each undelivered element based on whether our pricing for these elements is sufficiently consistent.

Our assessment of likelihood of collection is also a critical factor in determining the timing of revenue recognition. If we do not believe that collection is probable, the revenue will be deferred until the earlier of when collection is deemed probable or payment is received.

Our product license revenue from distributors and resellers are generally recognized at the time title to our product passes to the distributor or reseller provided all other criteria for revenue recognition are met. This policy is predicated on our ability to estimate sales returns among other criteria. We are also required to evaluate whether our distributors and resellers have the ability to honor their commitment to make fixed or determinable payments, regardless of whether they collect payment from their customers. Our policy also presumes that we have no significant performance obligations in connection with the sale of our product licenses by our distributors and resellers to their customers. If we were to change any of these assumptions or judgments, it could cause a material increase or decrease in the amount of revenue that we report in a particular period.

*Product Returns Reserves.* We permit our distributors and resellers to return products up to a percentage of prior quarter purchases. The product returns reserve is based on historical experience of actual product returns, estimated channel inventory levels, the timing of new product introductions and promotions, channel sell-in for applicable markets and other factors.

Our product returns reserves were \$14.4 million at January 31, 2008 and \$18.2 million at January 31, 2007. Product returns as a percentage of applicable revenue were 3.5% in fiscal 2008, 3.9% in fiscal 2007 and 3.7% in fiscal 2006. During fiscal year 2008 and 2007, we recorded additions to our product returns reserves of \$43.6 million and \$57.1 million, respectively, which reduced our revenue. While we believe our accounting practice for establishing and monitoring product returns reserves is adequate and appropriate, any adverse activity or unusual circumstances could result in an increase in reserve levels in the period in which such determinations are made.

*Partner Incentive Reserves.* Autodesk has a Partner Incentive Program that uses quarterly attainment monetary rewards to motivate distributors and resellers to achieve mutually agreed upon business goals in a specified time period. A portion of these reserves reduce license and other revenue in the current period. The remainder, which relates to incentives on our Subscription Program, reduces deferred revenue in the period the subscription transaction is billed, which results in a reduction to maintenance revenue over the maintenance contract period. Partner incentive reserves were \$41.2 million and \$28.3 million at January 31, 2008 and 2007, respectively.

*Realizability of Long-Lived Assets.* We assess the realizability of our long-lived assets and related intangible assets, other than goodwill, annually during the fourth fiscal quarter, or sooner should events or changes in circumstances indicate the carrying values of such assets may not be recoverable. We consider the following factors important in determining when to perform an impairment review: significant under-performance of a business or product line relative to budget; shifts in business strategies which affect the continued uses of the assets; significant negative industry or economic trends; and the results of past impairment reviews.

## **Table of Contents**

In assessing the recoverability of these long-lived assets, we first determine their fair values, which are based on assumptions regarding the estimated future cash flows that could reasonably be generated by these assets. When assessing long-lived assets, we use undiscounted cash flow models which include assumptions regarding projected cash flows. Because expected lives are relatively short, discounting the projected cash flows would not lead to a significantly different result. Variances in these assumptions could have a significant impact on our conclusion as to whether an asset is impaired or the amount of the impairment charge. Impairment charges, if any, result in situations where the fair values of these assets are less than their carrying values.

In addition to our recoverability assessments, we routinely review the remaining estimated useful lives of our long-lived assets. Any reduction in the useful life assumption will result in increased depreciation and amortization expense in the quarter when such determinations are made, as well as in subsequent quarters.

We will continue to evaluate the values of our long-lived assets in accordance with applicable accounting rules. As changes in business conditions and our assumptions occur, we may be required to record impairment charges.

*Goodwill.* We test goodwill for impairment annually in the fourth quarter or sooner should events or changes in circumstances indicate potential impairment. When assessing goodwill for impairment, we use discounted cash flow models which include assumptions regarding projected cash flows. Variances in these assumptions could have a significant impact on our conclusion as to whether goodwill assets are impaired or the amount of the impairment charge. Impairment charges, if any, result from instances where the fair values of net assets associated with goodwill are less than their carrying values. As changes in business conditions and our assumptions occur, we may be required to record impairment charges.

*Income Taxes.* We currently have \$149.4 million of net deferred tax assets, mostly arising from net operating losses including stock option deductions taken in fiscal years prior to fiscal 2007, tax credits, non-deductible accruals and timing differences for purchased technologies and capitalized software, offset by the establishment of U.S. deferred tax liabilities on unremitted earnings from certain foreign subsidiaries. We perform a quarterly assessment of the recoverability of these net deferred tax assets, which is principally dependent upon our achievement of projected future taxable income of approximately \$408 million across a specific mix of geographies. Our judgments regarding future profitability may change due to future market conditions and other factors. These changes, if any, may require possible material adjustments to these net deferred tax assets, resulting in a reduction in net income in the period when such determinations are made.

Autodesk is a U.S. based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Our effective tax rate is based on expected geographic mix of earnings, statutory rates, intercompany transfer pricing, and enacted tax rules. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions on a worldwide basis. We believe our tax positions, including intercompany transfer pricing policies, are consistent with the tax laws in the jurisdictions in which we conduct our business. It is possible that these positions may be challenged which may have a significant impact on our effective tax rate.

We adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109 on February 1, 2007. The amount of unrecognized tax benefits may increase or decrease in the future for various reasons such as current year tax positions, expiration of statutes of limitations, litigation, legislative activity, or other changes in facts regarding realizability.

*Share-Based Compensation.* In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 revised 2004, *Share-Based Payment* ( SFAS 123R ), which replaces Statement of Financial Accounting Standards No. 123 ( SFAS 123 ) and supersedes APB 25. SFAS 123R requires the measurement of all share-based payments to employees, including grants of employee stock options, using a fair-value based method and the recording of such expense in our Consolidated Statements of Income.

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## **Table of Contents**

We adopted SFAS 123R using the modified prospective transition method, which requires the application of the accounting standard as of February 1, 2006, the first day of our fiscal year 2007. Our consolidated financial statements for fiscal 2008 and 2007 reflect our adoption of SFAS 123R. In accordance with the modified prospective transition method, our consolidated financial statements for prior periods have not been restated for, and do not include the impact of, compensation expense calculated under SFAS 123R.

SFAS 123R requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statements of Income. Prior to the adoption of SFAS 123R, we accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25, as permitted by SFAS 123. Under the intrinsic value method, compensation expense resulted primarily from stock option grants to non-executive employees at exercise prices below fair market value on the option measurement date. The majority of these grants were made between August 2000 and February 2005.

We use the Black-Scholes-Merton option-pricing model for determining the estimated fair value for employee stock awards. This is the same option-pricing model used in prior years to calculate the pro forma compensation expense under our SFAS 123 footnote disclosures. This model requires the input of assumptions, including expected stock price volatility, expected life, expected dividend yield and risk-free interest rate of each award. The parameters used in the model are reviewed on a quarterly basis and adjusted, as needed. Compensation expense for employee stock awards is recognized on a straight-line basis over the vesting period of the award. The adoption of SFAS 123R also requires certain changes to the accounting for income taxes, the method used in determining diluted shares, the application of a pre-vesting forfeiture rate against both pre-and post-adoption grants, as well as additional disclosure related to the cash flow effects resulting from share-based compensation.

*Legal Contingencies.* As described in Part I, Item 3, *Legal Proceedings* and Part II, Item 8, Note 6, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements, we are periodically involved in various legal claims and proceedings. We routinely review the status of each significant matter and assess our potential financial exposure. If the potential loss from any matter is considered probable and the amount can be reasonably estimated, we record a liability for the estimated loss. Because of inherent uncertainties related to these legal matters, we base our loss accruals on the best information available at the time. As additional information becomes available, we reassess our potential liability and may revise our estimates. Such revisions could have a material impact on future quarterly or annual results of operations.

### **Recently Issued Accounting Standards**

In December 2007, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 141 (revised 2007) *Business Combinations* ( SFAS 141R ). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This statement will be effective for Autodesk's fiscal year beginning February 1, 2009. Autodesk is currently evaluating the impact that SFAS 141R will have on its consolidated financial position, results of operations or cash flows.

In December 2007, the FASB also issued Statement of Financial Accounting Standards No. 160 *Noncontrolling Interests in Consolidated Financial Statements* an amendment of ARB No. 51 ( SFAS 160 ). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and

**Table of Contents**

distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement will be effective for Autodesk's fiscal year beginning February 1, 2009. Autodesk does not believe the adoption of SFAS 160 will have a material effect on its consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115 (SFAS 159), which expands the use of fair value measurement by permitting entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. This statement is required to be adopted by Autodesk as of February 1, 2008. Autodesk does not believe the adoption of SFAS 159 will have a material effect on its consolidated financial position, results of operations or cash flows.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements but instead is intended to eliminate inconsistencies with respect to this topic found in various other accounting pronouncements. This statement is effective as of February 1, 2008 for Autodesk's 2009 fiscal year, including interim periods within our 2009 fiscal year, with the exception of a one year deferral for the implementation of the statement for other nonfinancial assets and liabilities. Autodesk does not believe the adoption of SFAS 157 will have a material effect on its consolidated financial position, results of operations or cash flows.

**Overview of Fiscal 2008 Results of Operations**

|                        | Fiscal<br>Year<br>Ended<br>January 31, 2008 | As a % of Net<br>Revenue | Fiscal Year<br>Ended<br>January 31, 2007<br>(in millions) | As a % of Net<br>Revenue |
|------------------------|---|--------------------------|---|--------------------------|
| Net Revenue            | \$ 2,171.9                                  | 100%                     | \$ 1,839.8  | 100%                     |
| Cost of revenue        | 206.9                                       | 9%                       | 216.6   | 12%                      |
| Operating expenses     | 1,519.4                                     | 70%                      | 1,273.5   | 69%                      |
| Income from Operations | \$ 445.6                                    | 21%                      | \$ 349.7  | 19%                      |

The primary goals for fiscal 2008 were to continue our delivery of market-leading products and solutions to our customers and to drive revenue growth and increases in operating margins and operating cash flow. During fiscal 2008, we released our 2008 family of products, offering our customers continued advancements in design and authoring productivity as well as digital prototyping and product lifecycle management capabilities. During fiscal 2008, as compared to fiscal 2007, net revenue increased 18%, income from operations increased 27% and operating cash flow increased 23%.

Net revenue for fiscal 2008 increased due to an increase in license and other revenue of 14% and an increase in maintenance revenue from our Subscription Program of 31%. Net revenue for our 2D products and 3D model-based design products increased 13%, and 26%, respectively, during fiscal 2008, as compared to the prior fiscal year. A critical component of our growth strategy is to continue to add new 2D horizontal users, while migrating our customers to our higher value 2D vertical and 3D model-based design products.

Our total operating margin increased from 19% of net revenue in fiscal 2007 to 21% in fiscal 2008. This improvement is primarily due to an increase in our Media and Entertainment Segment's operating income by \$34.2 million in fiscal 2008 compared to the prior fiscal year. The increase in operating income from our Media and Entertainment Segment was due to higher gross margins from Advanced Systems resulting from a shift to sales of our Linux-based systems, a shift to system sales comprised of more software and less hardware and a 22% increase in net revenue from our Animation products. These increases were partially offset by an increase in

**Table of Contents**

amortization of acquisition-related intangibles of \$11.3 million in fiscal 2008 as compared to fiscal 2007. We continue to invest in growth and productivity initiatives and, over the longer term we intend to continue to balance investments in revenue growth opportunities with our goal of increasing our operating margins. Our operating margins are very sensitive to changes in revenue, given the relatively fixed nature of most of our expenses, which consist primarily of employee-related expenditures, facilities costs, and depreciation and amortization expense. For fiscal 2009, we expect total costs and expenses to increase in absolute dollars, but decline slightly as a percentage of net revenue resulting in overall operating margin improvement as compared to fiscal 2008. We will continue to balance investments in revenue growth opportunities with our focus on increasing profitability.

We generate a significant amount of our revenue in the United States, Japan, Germany, United Kingdom, Italy, France, Canada, China, South Korea and Australia. The weaker value of the U.S. dollar relative to foreign currencies had a positive effect of \$47.4 million on operating income in fiscal 2008 compared to fiscal 2007. Had exchange rates from fiscal 2007 been in effect during fiscal 2008, translated international revenue billed in local currencies would have been \$71.2 million lower and operating expenses would have been \$23.8 million lower. Foreign currencies had a minimal effect on financial results for fiscal 2007. Changes in the value of the U.S. dollar may have a significant effect on net revenue in future periods. We use foreign currency option collar contracts to reduce a portion of the current quarter exchange rate effect on the net revenue of certain anticipated transactions.

Throughout fiscal 2008, we maintained a strong balance sheet, generating \$708.5 million of cash from operating activities as compared to \$576.6 million during the previous fiscal year. We finished fiscal 2008 with \$957.7 million in cash and marketable securities, of which \$8.4 million is classified as long-term. This is an increase from the \$777.9 million balance at January 31, 2007. We managed to achieve this increase while repurchasing 12.1 million shares of our common stock and continuing to invest in our business through acquisitions, including Robobat, NavisWorks and Hanna Strategies and investments in other growth initiatives. Comparatively, during the prior fiscal year we repurchased 4.2 million shares of our common stock, completed the acquisition of Constructware and invested in a 28% interest in Hanna Strategies. We completed fiscal 2008 with a higher deferred revenue balance and higher accounts receivable balance as compared to the previous fiscal year. Our deferred revenue balance at January 31, 2008 included \$433.8 million of customer maintenance contracts related to our Subscription Program, which will be recognized as maintenance revenue ratably over the life of the contracts, which is predominantly one year.

**Table of Contents****Results of Operations***Net Revenue*

|   | Fiscal Year Ended |          | Increase (decrease) compared to prior fiscal year |     | Fiscal Year Ended |          | Increase (decrease) compared to prior fiscal year |      | Fiscal Year Ended |
|---|-------------------|----------|---|-----|-------------------|----------|---|------|-------------------|
|   | January 31, 2008  |          | \$  | %   | January 31, 2007  |          | \$  | %    | January 31, 2006  |
| <b>Net Revenue:</b>   |                   |          |   |     |                   |          |   |      |                   |
| License and other   | \$ 1,618.6        | \$ 202.7 |   | 14% | \$ 1,415.9        | \$ 154.1 |   | 12%  | \$ 1,261.8        |
| Maintenance   | 553.3             | 129.4    |   | 31% | 423.9             | 148.5    |   | 54%  | 275.4             |
|   | \$ 2,171.9        | \$ 332.1 |   | 18% | \$ 1,839.8        | \$ 302.6 |   | 20%  | \$ 1,537.2        |
| <b>Net Revenue by Geographic Area:</b>                      |                   |          |   |     |                   |          |   |      |                   |
| Americas  | \$ 803.5          | \$ 69.0  |   | 9%  | \$ 734.5          | \$ 111.3 |   | 18%  | \$ 623.2          |
| Europe, Middle East and Africa                              | 875.5             | 188.0    |   | 27% | 687.5             | 129.3    |   | 23%  | 558.2             |
| Asia Pacific  | 492.9             | 75.1     |   | 18% | 417.8             | 62.0     |   | 17%  | 355.8             |
|   | \$ 2,171.9        | \$ 332.1 |   | 18% | \$ 1,839.8        | \$ 302.6 |   | 20%  | \$ 1,537.2        |
| <b>Net Revenue by Operating Segment:</b>                    |                   |          |   |     |                   |          |   |      |                   |
| Design Solutions  | \$ 1,895.1        | \$ 300.5 |   | 19% | \$ 1,594.6        | \$ 250.1 |   | 19%  | \$ 1,344.5        |
| Media and Entertainment                                     | 258.6             | 24.0     |   | 10% | 234.6             | 62.3     |   | 36%  | 172.3             |
| Other   | 18.2              | 7.6      |   | 72% | 10.6              | (9.8)    |   | -48% | 20.4              |
|   | \$ 2,171.9        | \$ 332.1 |   | 18% | \$ 1,839.8        | \$ 302.6 |   | 20%  | \$ 1,537.2        |
| <b>Net Revenue Design Solutions Segment:</b>                |                   |          |   |     |                   |          |   |      |                   |
| Platform Solutions and Emerging Business Division and Other | \$ 997.1          | \$ 118.2 |   | 13% | \$ 878.9          | \$ 75.6  |   | 9%   | \$ 803.3          |
| Architecture, Engineering and Construction Division         | 480.0             | 97.6     |   | 26% | 382.4             | 98.1     |   | 35%  | 284.3             |
| Manufacturing Solutions Division                            | 418.0             | 84.7     |   | 25% | 333.3             | 76.4     |   | 30%  | 256.9             |
|   | \$ 1,895.1        | \$ 300.5 |   | 19% | \$ 1,594.6        | \$ 250.1 |   | 19%  | \$ 1,344.5        |

**Fiscal 2008 Net Revenue Compared to Fiscal 2007 Net Revenue***License and Other Revenue*

License and other revenue are comprised of two components: all forms of product license revenue and other revenue. Product license revenue includes revenue from the sale of new seats, revenue from the Autodesk Upgrade Program and revenue from the Autodesk Crossgrade Program. Other revenue consists of revenue from consulting and training services, revenue from the Autodesk Developers Network, Autodesk Collaborative Solution hosting revenue, Autodesk's Location Services Division and revenue from Advanced Systems product support.

Growth in license and other revenue during fiscal 2008, as compared to fiscal 2007, was primarily due to growth in new seat revenue for most major products driven by the release of our 2008 family of products. Total license and other revenue increased 14% for fiscal 2008 as compared to the prior fiscal year. As a percentage of total net revenue, license and other revenue was 75% for fiscal 2008, 77% for fiscal 2007 and 82% for fiscal 2006.

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We rely significantly upon major distributors and resellers in both the U.S. and international regions, including Tech Data Corporation and its affiliates, who accounted for 14%, 12% and 11% of Autodesk's consolidated net revenue for fiscal 2008, 2007 and 2006, respectively.

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## **Table of Contents**

During fiscal 2008, we made changes to our Partner Incentive Programs to incent our value-added resellers to shift their focus to selling 2D vertical products and 3D model-based design products. These new programs, which are accounted for as a reduction to net revenue, drive a consistent treatment of incentives around the world by further reallocating incentives from our 2D horizontal products, AutoCAD and AutoCAD LT, to 2D vertical and 3D model-based design products. We believe that changes to our Partner Incentive Programs are having the intended effect of shifting our resellers' focus to selling 2D vertical and 3D model-based design products.

Revenue from the sale of new seats increased 19% from fiscal 2007 to fiscal 2008. The increase is due to an 18% increase in revenue from new seats of our 2D products, primarily AutoCAD LT, AutoCAD, AutoCAD Mechanical and AutoCAD Architecture. The increase was also due to a 30% increase in revenue from new seats of our 3D model-based design products (Revit products, Autodesk Inventor products, AutoCAD Civil 3D, and NavisWorks software). The increase in new seat revenue was driven primarily by higher average sales prices per seat and volume growth in both our 2D design and 3D model-based design products.

The positive effect of the weaker value of the U.S. dollar relative to foreign currencies also contributed to the increase in total net revenue in fiscal 2008 as compared to fiscal 2007. In addition, we experienced growth in net revenue in all three of our geographic regions and strong growth in the emerging economies of Europe, Middle East, Africa and Asia Pacific.

Upgrade revenue, which includes crossgrade revenue, decreased by 17% during fiscal 2008 as compared to the prior fiscal year, as expected. The decrease in upgrade revenue was driven primarily from the relatively smaller size of the upgradeable base of our AutoCAD-based products in fiscal 2008 as compared to the upgradeable base of our AutoCAD-based products in fiscal 2007, due to more customers on our Subscription Program. In addition, during the second half of fiscal 2008 and fiscal 2007, AutoCAD LT customers could crossgrade to any other product at a promotional rate, which contributed approximately \$9.1 million to upgrade revenue in fiscal 2008 as compared to \$21.4 million in fiscal 2007. We expect revenue from upgrades to continue to decline as we continue to execute on our strategy of moving customers to our Subscription Program.

Revenue from the sales of services, training and support, included in License and other, are immaterial for all periods presented.

### *Maintenance Revenue*

Maintenance revenue consists of revenue derived from our Subscription Program. Under this program, customers are eligible to receive unspecified upgrades when-and-if-available, downloadable training courses and online support. We recognize maintenance revenue from our Subscription Program ratably over the maintenance contract periods. Maintenance revenue increased 31% for fiscal 2008 as compared to the prior fiscal year. As a percentage of total net revenue, maintenance revenue was 25% for fiscal 2008, 23% for fiscal 2007, and 18% for fiscal 2006. Our Subscription Program, available to most customers worldwide, continues to attract new and renewal customers by providing them with a cost effective and predictable budgetary option to obtain the productivity benefits of our new product releases and enhancements. We expect maintenance revenue to continue to increase both in absolute dollars and as a percentage of total net revenue as a result of increased Subscription Program enrollment, which is now at nearly 1.5 million users; however, we expect these growth rates to be lower than in the past. This shift away from upgrades toward a more predictable and sustainable maintenance revenue stream from the Subscription Program is consistent with our long-term strategy.

Due to the increase in our subscription base over time, the relative upgradeable installed base of the AutoCAD-based products not on subscription during fiscal 2008 was smaller than the upgradeable installed base of the AutoCAD-based products not on subscription during fiscal 2007. Maintenance revenue from subscriptions substantially exceeded revenue from upgrades in fiscal 2008.

Aggregate backlog at January 31, 2008 and January 31, 2007 was \$521.5 million and \$395.8 million, respectively, of which \$506.1 million and \$378.8 million represented deferred revenue and \$15.4 million and



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**Table of Contents**

\$17.0 million, respectively, related to current software license product orders which have not yet shipped at the end of each respective fiscal year. Deferred revenue consists primarily of deferred maintenance revenue from our Subscription Program. To a lesser extent, deferred revenue consists of deferred license and other revenue derived from Autodesk Buzzsaw and Autodesk Constructware services, consulting services and deferred license sales. Backlog from current software license product orders which we have not yet shipped consists of orders for currently available license software products from customers with approved credit status and may include orders with current ship dates and orders with ship dates beyond the current fiscal period.

*Net Revenue by Geographic Area*

Net revenue in the Americas region increased by 9% during fiscal 2008, as compared to fiscal 2007, primarily due to a 22% increase in maintenance revenue from our Subscription Program. Revenue from new seats in the Americas increased 2% during fiscal 2008 as compared to fiscal 2007 driven by new seat revenue from our 3D model-based design products offset by a decline in new seat revenue from our 2D products compared to the prior fiscal year. Revenue from upgrades decreased by 14% in the Americas during fiscal 2008 compared to the prior fiscal year. Growth in the Americas was also impacted by a slowing economy that impacted growth rates for all of our products in the fourth quarter of fiscal 2008. Had exchange rates during fiscal 2007 been in effect during the same period of fiscal 2008, translated net revenue in the Americas would have been \$0.1 million lower in fiscal 2008.

Net revenue in the Europe, Middle East and Africa ( EMEA ) region increased by 27% during fiscal 2008, as compared to fiscal 2007, primarily due to a 37% increase in new seat revenue and 40% increase in maintenance revenue from our Subscription Program. Revenue from new seats in EMEA increased during fiscal 2008 as compared to fiscal 2007 driven by new seat revenue from our 2D design products and 3D model-based design products. These increases were partially offset by 24% decrease in revenue from upgrades. EMEA's growth during fiscal 2008 was primarily due to growth in the local emerging economies and the United Kingdom, Germany, France, Belgium and Austria. Had exchange rates during fiscal 2007 been in effect during the same period of fiscal 2008, translated net revenue in EMEA would have been \$66.7 million lower in fiscal 2008.

Net revenue in the Asia Pacific ( APAC ) region increased 18% during fiscal 2008, as compared to fiscal 2007, primarily due to an 18% increase in new seats revenue, a 32% increase in maintenance revenue from our Subscription Program, and a 9% increase in revenue from upgrades. Revenue from new seats in APAC increased due to strong new seat revenue from our 2D products and 3D model-based design products. Net revenue growth in APAC during fiscal 2008 occurred primarily due to growth in the local emerging economies, Japan, South Korea and Australia. Had exchange rates during fiscal 2007 been in effect during the same period of fiscal 2008, translated net revenue in APAC would have been \$4.4 million lower in fiscal 2008.

We believe that international net revenue will continue to comprise a majority of our total net revenue. Economic weakness in any of the countries that contributes a significant portion of our net revenue could have an adverse effect on our business in those countries. Changes in the value of the U.S. dollar relative to foreign currencies could significantly affect our future financial results for a given period. International net revenue represented 69% of our net revenue in fiscal 2008 and 66% of our net revenue in fiscal 2007. Net revenue in emerging economies grew by 40% from fiscal 2007 to fiscal 2008, primarily due to revenue from the EMEA emerging economies, China and India. This growth was a significant factor in our international sales growth during fiscal 2008.

*Net Revenue by Operating Segment*

Net revenue for the Design Solutions Segment increased 19% during fiscal 2008, as compared to fiscal 2007, primarily due to a 21% increase in new seat revenue and a 32% increase in maintenance revenue from our Subscription Program. These increases were partially offset by a 17% decrease in upgrade revenue in fiscal 2008

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**Table of Contents**

as compared to fiscal 2007. Maintenance revenue increased to 26% of Design Solutions Segment revenue during fiscal 2008 compared to 24% in fiscal 2007.

Net revenue for the Media and Entertainment Segment increased 10% during fiscal 2008, as compared to fiscal 2007. During fiscal 2008, net revenue from our Animation business line increased 22% due to increases in revenue from our animation products 3ds Max and Maya. Net revenue growth from Advanced Systems was flat as compared to the prior fiscal year due to the migration of our Advanced Systems solutions from SGI hardware to PC-based hardware systems which have a lower price but generate better margins.

**Fiscal 2007 Net Revenue Compared to Fiscal 2006 Net Revenue**

*License and Other Revenue*

The 12% increase in net revenue during fiscal 2007, as compared to fiscal 2006, was due to an increase in sales of new seats, an increase in the sales of subscription contracts which are recognized as maintenance revenue and an increase in crossgrade revenue. Revenue from the sale of new seats increased due to volume growth and higher average sales prices in our AutoCAD, AutoCAD LT, and our 3D model-based design products. In addition, the introduction of our Maya and StudioTools products resulting from the January 2006 acquisition of Alias contributed to the growth in revenue during fiscal 2007. We experienced strong growth in all three of our geographic regions and strong growth rates in the emerging economies of Asia Pacific, Eastern Europe and the Middle East, and Latin America from fiscal 2006 to fiscal 2007. These increases were partially offset by a decline in revenue from upgrades resulting primarily from the relatively smaller size of the upgradeable base of our AutoCAD-based products during fiscal 2007 compared to the upgradeable base of our AutoCAD-based products as of the same period in the prior fiscal year.

Growth in license and other revenue during fiscal 2007, as compared to fiscal 2006, was primarily due to an increase in the sale of commercial new seats for most major products driven by our new product releases during fiscal 2007. The 19% increase in revenue from the sale of new seats from fiscal 2006 to fiscal 2007 was driven by volume growth in AutoCAD, AutoCAD LT and most major products, as well as growing sales of our 3D model-based design products. These increases were partially offset by a 7% decrease in revenue from upgrades driven by the relatively smaller size of the upgradeable base of our AutoCAD-based products in fiscal 2007 compared to the size of the upgradeable base of our AutoCAD-based products in fiscal 2006 and the success of our Subscription Program in fiscal 2006. Revenue from the sales of services, training and support are immaterial for all periods presented.

*Maintenance Revenue*

Maintenance revenue from our Subscription Program increased 54% for fiscal 2007 as compared to the prior fiscal year. As a percentage of total net revenue, maintenance revenue was 23% for fiscal 2007 and 18% for fiscal 2006. The upgradeable installed base of the AutoCAD-based products not on subscription during fiscal 2007 was smaller than the upgradeable installed base of AutoCAD-based products not on subscription during fiscal 2006. As a result, overall maintenance revenue from subscriptions exceeded revenue from upgrades in fiscal 2007.

Deferred revenue consists primarily of deferred maintenance revenue from our Subscription Program. To a lesser extent, deferred revenue consists of deferred license and other revenue derived from Autodesk Buzzsaw and Autodesk Constructware services, consulting services and deferred license sales. Backlog from current software license product orders which we have not yet shipped consists of orders for currently available license software products from customers with approved credit status and may include orders with current ship dates and orders with ship dates beyond the current fiscal period. Aggregate backlog at January 31, 2007 and January 31, 2006 was \$395.8 million and \$283.5 million, respectively, of which \$17.0 million for both fiscal years related to current software license product orders which have not yet shipped at the end of each respective fiscal year.

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**Table of Contents**

We rely significantly upon major distributors and resellers in both the U.S. and international regions, including Tech Data Corporation and their affiliates, who accounted for 12% of fiscal 2007 net revenue and 11% of fiscal 2006 net revenue.

*Net Revenue by Geographic Area*

Net revenue in the Americas region increased 18% during fiscal 2007, as compared to fiscal 2006, primarily due to strong maintenance revenue, as well as revenue from products acquired in our acquisition of Alias in January 2006 and from growth in revenue from sales of new seats driven by new product releases during fiscal 2007. Revenue from upgrades in the Americas declined by 4% during fiscal 2007 compared to the same period in the prior fiscal year. Had exchange rates during fiscal 2006 been in effect during the same period of fiscal 2007, translated net revenue would have been lower by \$0.3 million in fiscal 2007.

Net revenue in the EMEA region increased 23% during fiscal 2007, as compared to fiscal 2006, primarily due to an increase in the sale of new seats resulting from new product releases, combined with a strong increase in maintenance revenue and revenue from new products acquired from Alias. Revenue from upgrades in EMEA experienced a 2% decline from fiscal 2006 to fiscal 2007. EMEA's strong growth during fiscal 2007 was primarily due to growth in the local emerging economies, Germany, the United Kingdom, France and Italy. Had exchange rates during fiscal 2006 been in effect during the same period of fiscal 2007, translated net revenue would have been lower by \$10.3 million in fiscal 2007.

Net revenue in the APAC region increased 17% during fiscal 2007, as compared to fiscal 2006, primarily due to strong growth in revenue from sales of new seats resulting from new product releases, followed by strong growth in maintenance revenue. Revenue from upgrades in APAC declined by 29% during fiscal 2007 compared to fiscal 2006. Net revenue growth in APAC during fiscal 2007 primarily occurred in China, South Korea, Australia and India. The increase in APAC net revenue during fiscal 2007 compared to the same period in the prior fiscal year was also due to revenue from new products acquired from Alias. This revenue growth was offset by significant declines in the net revenue growth in Japan for 2D and 3D products. Had exchange rates for fiscal 2006 been in effect during the same period of fiscal 2007, translated net revenue in the APAC region would have been higher by \$9.7 million in fiscal 2007.

International net revenue represented 66% of our net revenue in both fiscal 2007 and fiscal 2006. Net revenue in emerging economies grew by 39% from fiscal 2006 to fiscal 2007, primarily due to revenue from China, India, EMEA emerging economies and Latin America. This growth was a significant factor in our international sales growth during fiscal 2007. Had exchange rates during fiscal 2006 been in effect during the same period of fiscal 2007, translated international revenue would have been \$1.0 million lower in fiscal 2007.

*Net Revenue by Operating Segment*

Net revenue for the Design Solutions Segment increased 19% during fiscal 2007, as compared to fiscal 2006, primarily due to a 20% increase in new seat revenue and a 48% increase in maintenance from our Subscription Program. These increases were partially offset by a 6% decrease in revenue from upgrades in fiscal 2007 as compared to fiscal 2006. Maintenance revenue from our Subscription Program increased to 24% of Design Solutions Segment revenue during fiscal 2007 compared to 20% in fiscal 2006. Sales of AutoCAD and AutoCAD LT continued to comprise a significant portion of our net revenue. Such sales, reflected in the net revenue for the Platform Solutions and Emerging Business Division and Other, represented 40% of net revenue in fiscal 2007 and 43% of consolidated net revenue in the same period of the prior fiscal year, increasing 11% in absolute dollars between the periods. Net revenue for our 3D model-based design products (Autodesk Inventor products, Revit products and AutoCAD Civil 3D) increased 41% during fiscal 2007 compared to fiscal 2006. Total sales of 3D model-based design products represented 22% of consolidated net revenue in fiscal 2007 compared to 18% in fiscal 2006.

**Table of Contents**

Net revenue for the Media and Entertainment Segment increased during fiscal 2007, as compared to fiscal 2006, primarily from revenue increases in our Animation business line, from both our January 2006 acquisition of Alias and the introduction of new versions of 3ds Max and Maya products during the second quarter of fiscal 2007. Although net revenue from Advanced Systems sales did not increase significantly during fiscal 2007 compared to the same period in the prior fiscal year, such sales progressively improved during each quarter of fiscal 2007 as a result of substantial progress made in the transition of our Advanced Systems product portfolio from SGI hardware to PC-based hardware systems.

*Cost of Revenue*

|                                | <b>Fiscal<br/>Year<br/>Ended<br/>January 31,<br/>2008</b> | <b>Increase (decrease)<br/>compared to<br/>prior fiscal year</b> |     | <b>Fiscal<br/>Year<br/>Ended<br/>January 31,<br/>2007<br/>(in millions)</b> | <b>Increase (decrease)<br/>compared to<br/>prior fiscal year</b> |      | <b>Fiscal<br/>Year<br/>Ended<br/>January 31,<br/>2006</b> |
|--------------------------------|---|--|-----|---|--|------|---|
|                                | \$  | %  |     | \$  | %  |      | \$  |
| <b>Cost of revenue:</b>        |   |  |     |   |  |      |   |
| License and other              | \$ 198.3  | \$ (9.6)   | -5% | \$ 207.9  | \$ 49.9  | 32%  | \$ 158.0  |
| Maintenance                    | 8.6   | (0.1)  | -1% | 8.7   | (4.4)  | -34% | 13.1  |
|                                | \$ 206.9  | \$ (9.7)   | -4% | \$ 216.6  | \$ 45.5  | 27%  | \$ 171.1  |
| As a percentage of net revenue | 10%   |  |     | 12%   |  |      | 11%   |

Cost of license and other revenue includes direct material and overhead charges, labor costs of fulfilling service contracts and order processing, royalties, amortization of purchased technology, and stock-based compensation expense under SFAS 123R. Direct material and overhead charges include the cost of hardware sold (mainly PC-based workstations for Advanced Systems in the Media and Entertainment Segment in fiscal 2008, and SGI hardware for Advanced Systems in the Media and Entertainment Segment in fiscal 2007 and 2006), costs associated with transferring our software to electronic media, printing of user manuals and packaging materials and shipping and handling costs.

Cost of license and other revenue decreased 5% during fiscal 2008, as compared to fiscal 2007, due primarily to a shift in Advanced Systems from SGI hardware to PC-based hardware. The increase in cost of license and other revenue during fiscal 2007, as compared to fiscal 2006, was primarily due to higher amortization of purchased technology resulting from recent acquisitions and stock-based compensation expense under SFAS 123R, which together represented 1% of revenue.

Cost of maintenance revenue includes costs of sales associated with maintenance under our Subscription Program. Costs of maintenance revenue remained relatively flat during fiscal 2008 as compared to the prior fiscal year. The decrease in cost of maintenance revenue during fiscal 2007, as compared to fiscal 2006, was due primarily to the cessation of amortization for an information technology system supporting our Subscription Program, which became fully amortized during the second quarter of fiscal 2006 and which was retired from operation in the third quarter of fiscal 2008. The amortization reduction was partially offset by incremental direct program costs incurred as part of the growth of our Subscription Program.

Cost of revenue, at least over the near term, is affected by the volume and mix of product sales, changing consulting costs, software amortization costs, royalty rates for licensed technology embedded in our products, new customer support offerings and the effect of expensing employee stock-based compensation expense. We expect cost of revenue to increase in absolute dollars, but remain relatively consistent as a percentage of net revenue during fiscal 2009, as compared to fiscal 2008.

**Table of Contents***Marketing and Sales*

|                                | Fiscal year Ended | Increase compared to prior fiscal year |     | Fiscal year Ended                 | Increase compared to prior fiscal year |     | Fiscal year Ended |
|--------------------------------|-------------------|--|-----|-----------------------------------|--|-----|-------------------|
|                                | January 31, 2008  | \$                                     | %   | January 31, 2007<br>(in millions) | \$                                     | %   | January 31, 2006  |
| Marketing and sales            | \$ 842.7          | \$ 146.6                               | 21% | \$ 696.1                          | \$ 140.1                               | 25% | \$ 556.0          |
| As a percentage of net revenue | 39%               |  |     | 38%                               |  |     | 36%               |

Marketing and sales expenses include salaries, benefits and bonuses for our marketing and sales employees, travel and facility costs for our marketing, sales, dealer training and support, stock-based compensation expense under SFAS 123R for stock awards granted to marketing and sales employees, labor costs of order processing, dealer and sales commissions and overhead charges. These expenses also include costs of programs aimed at increasing revenue, such as advertising, trade shows and expositions, and various sales and promotional programs designed for specific sales channels and end users.

Marketing and sales expense increased 21% during fiscal 2008, as compared to fiscal 2007, primarily due to \$95.5 million of higher employee-related costs driven by increased marketing and sales headcount and increased commissions and commission accelerators from higher revenue in fiscal 2008 as compared to fiscal 2007. The increase was also due to \$18.5 million of increased marketing and promotion costs related to product launches, trade shows, branding, and demand generation.

The increase of marketing and sales expenses during fiscal 2007, as compared to fiscal 2006, was primarily due primarily to a \$55.8 million increase in employee-related costs driven by increased marketing and sales headcount, \$41.9 million of stock-based compensation expense due to the adoption of SFAS 123R in fiscal 2007, and \$29.6 million of increased marketing and promotion costs related to product launches, trade shows, branding, and demand generation. Marketing and sales headcount increased as a result of organic growth as well as the acquisition of Alias.

We expect to continue to invest in marketing and sales of our products to develop market opportunities, to promote our competitive position and to strengthen our channel support. As a result, we expect marketing and sales expense to increase in absolute dollars, but remain relatively consistent as a percentage of net revenue in fiscal 2009, as compared to fiscal 2008.

*Research and Development*

|                                | Fiscal year Ended | Increase compared to prior fiscal year |     | Fiscal year Ended                 | Increase compared to prior fiscal year |     | Fiscal year Ended |
|--------------------------------|-------------------|--|-----|-----------------------------------|--|-----|-------------------|
|                                | January 31, 2008  | \$                                     | %   | January 31, 2007<br>(in millions) | \$                                     | %   | January 31, 2006  |
| Research and development       | \$ 485.3          | \$ 79.0                                | 19% | \$ 406.3                          | \$ 103.1                               | 34% | \$ 303.2          |
| As a percentage of net revenue | 22%               |  |     | 22%                               |  |     | 20%               |

Research and development expenses, which are expensed as incurred, consist primarily of salaries, benefits, and bonuses for software engineers, fees paid to software development firms and independent contractors, stock-based compensation expense under SFAS 123R for stock awards granted to research and development employees, overhead charges, purchased in-process technology and depreciation of computer equipment used in software development.

Research and development expenses increased 19% during fiscal 2008, as compared to fiscal 2007, primarily due to an increase in employee related costs of \$33.2 million driven by increased research and

**Table of Contents**

development headcount, and an \$11.6 million increase in consulting services and in-process technology purchases from Hanna Strategies. Also contributing to the increase in research and development expenses was \$5.5 million of in-process research and development from acquisitions during fiscal 2008. Additionally, in the fourth quarter of fiscal 2008 we accelerated certain internal product development initiatives that increased research and development costs.

During fiscal 2008, we incurred a total of approximately \$38.3 for consulting services and in-process technology purchases from Hanna Strategies compared to \$26.7 million in the prior year. The cost of the in-process technology acquired from Hanna Strategies was immediately recognized as an expense because the technology had not yet reached technological feasibility and had no alternative future use. During the fourth quarter of fiscal 2008 we acquired the remaining 72% ownership interest in Hanna Strategies for net consideration of \$13.5 million. See Note 14, *Related Parties*, in Notes to Consolidated Financial Statements for further discussion of this acquisition.

The increase in research and development expenses during fiscal 2007, as compared to fiscal 2006, resulted primarily from an increase in wages and salaries driven by an increase in headcount of \$55.4 million and the recognition of \$30.1 million of stock-based compensation expense due to the adoption of SFAS 123R during fiscal 2007. During fiscal 2007, we incurred a total of approximately \$26.7 for consulting services and in-process technology purchases from Hanna Strategies compared to \$27.0 million in the prior year. During the first quarter of fiscal 2007, we also acquired a 28% ownership interest in Hanna Strategies for cash consideration of \$12.5 million.

Overall, we have increased our investment in research and development during fiscal 2008 as compared to the prior fiscal year to create new products and new versions of existing products, broader interoperability, accelerated localization efforts and improvements in visualization, simulation and analysis. We expect research and development expense to increase in absolute dollars, but remain relatively consistent as a percentage of net revenue during fiscal 2009, as compared to fiscal 2008, as we continue to invest in product development and acquire new technology in fiscal 2009.

*General and Administrative*

|                                | Fiscal year Ended |         | Increase compared to prior fiscal year |          | Fiscal year Ended |     | Increase compared to prior fiscal year |   | Fiscal year Ended |
|--------------------------------|-------------------|---------|--|----------|-------------------|-----|--|---|-------------------|
|                                | January 31, 2008  |         | \$                                     | %        | January 31, 2007  |     | \$                                     | % | January 31, 2006  |
|                                | (in millions)     |         |  |          |                   |     |  |   |                   |
| General and administrative     | \$ 191.4          | \$ 20.3 | 12%                                    | \$ 171.1 | \$ 42.7           | 33% | \$ 128.4                               |   |                   |
| As a percentage of net revenue | 9%                |         |  | 9%       |                   |     | 8%                                     |   |                   |

General and administrative expenses include salaries, benefits, and bonuses for our finance, human resources and legal personnel as well as professional fees for legal and accounting services, overhead costs, stock-based compensation expense under SFAS 123R for stock awards granted to general and administrative employees, litigation costs and amortization expense of customer relationships and trademarks acquired.

General and administrative expenses increased 12% from fiscal 2007 to fiscal 2008 primarily due to a \$19.6 million increase in employee related costs, due to an increase in general and administrative headcount. The 33% increase in general and administrative expenses from fiscal 2006 to fiscal 2007 was primarily due to the recognition of \$16.9 million of stock-based compensation expense as a result of the adoption of FAS 123R, and a \$7.9 million increase in employee-related costs, due to an increase in general and administrative headcount. General and administrative headcount increased as a result of organic growth. We expect general and administrative expense to increase in absolute dollars, but remain relatively consistent as a percentage of net revenue during fiscal 2009, as compared to fiscal 2008.

**Table of Contents***Interest and Other Income, Net*

The following table sets forth the components of interest and other income, net:

|  | Fiscal Year Ended |                     |         |
|--|-------------------|---------------------|---------|
|  | 2008              | January 31,<br>2007 | 2006    |
|  | (in millions)     |                     |         |
| Interest and investment income, net                  | \$ 33.4           | \$ 18.6             | \$ 13.2 |
| Loss on cost method investment                       | (5.0)             |                     |         |
| Investment impairment                                | (4.0)             |                     |         |
| Loss from unconsolidated subsidiary                  | (3.4)             | (4.3)               |         |
| Recovery of funds from an acquisition escrow account |                   | 2.2                 |         |
| Gain (loss) on foreign currency transactions         | 0.1               | (0.3)               | (0.7)   |
| Other income   | 3.3               | 0.6                 | 0.7     |
|  | \$ 24.4           | \$ 16.8             | \$ 13.2 |

Investment income fluctuates based on average cash and marketable securities balances, average maturities and interest rates. The increase in interest and investment income, net, during fiscal 2008, as compared to fiscal 2007, reflects proportionately higher cash balances and interest rate yields during the fiscal 2008. The increase in interest and investment income, net, during fiscal 2007 as compared to fiscal 2006 reflects proportionately higher interest rate yields during 2007 when compared with 2006. The increase in interest and investment income, net, for fiscal 2008 was partially offset by a loss on a cost method investment and an impairment of our 28% equity investment in Hanna Strategies.

Our 28% ownership interest in Hanna Strategies, accounted for under Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, and FASB Interpretation No. 35, *Criteria for Applying the Equity Method of Accounting for Investments in Common Stock*, resulted in a loss from unconsolidated subsidiary representing our 28% ownership interest in Hanna Strategies results of operations through January 2, 2008, when we acquired the remaining 72%.

In addition, during fiscal 2007 we also received \$2.2 million recovery of funds from an escrow account established for a prior acquisition.

*Provision for income taxes*

Autodesk accounts for income taxes and the related accounts under the liability method in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (SFAS 109). Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted rates expected to be in effect during the year in which the basis differences reverse.

On February 1, 2007 we adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109, (FIN 48) which clarifies the accounting for uncertainty in tax positions. Under FIN 48, companies are required to recognize the benefit from a tax position only if it is more likely than not that the tax position would be sustained upon audit based solely on the technical merits of the tax position. FIN 48 clarified how a company would measure the income tax benefits from the tax positions that are recognized, provides guidance as to the timing of the derecognition of previously recognized tax benefits, and describes the methods for classifying and disclosing the liabilities within the financial statements for any unrecognized tax benefits. The provisions of FIN 48 were effective as of the beginning of our 2008 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. Based on our assessment, we recorded an increase to opening retained earnings during the first quarter of fiscal 2008 for tax benefits not previously recognized of \$26.4 million as a result of adopting FIN 48.

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## **Table of Contents**

Our effective tax rate increased by 3% from fiscal 2007 to fiscal 2008. The increase was primarily the result of a reduction in tax benefits, as a percentage of pre-tax earnings, from the lapse of statute of limitations or audit closures and the phase-out of extraterritorial income exclusion.

Our effective tax rate increased by 6% from fiscal 2006 to fiscal 2007. The increase was primarily the result of non-deductible SFAS 123R expense and a reduction in tax benefits, as a percentage of pre-tax earnings, from the repatriation of certain foreign dividends at a rate lower than the 35% Federal statutory rate under the American Jobs Creation Act of 2004 ( DRD Legislation ). The DRD Legislation was not available after fiscal 2006.

Our future effective tax rate may be materially impacted by the amount of benefits associated with our foreign earnings which are taxed at rates different from the Federal statutory rate, research credits, SFAS 123R, FIN 48, U.S. Manufacturer's deduction, closure of statute of limitations or settlement of tax audits, and changes in tax law.

At January 31, 2008, we had net deferred tax assets of \$149.4 million. Realization of these assets is dependent on our ability to generate approximately \$408 million of future taxable income in appropriate tax jurisdictions. We believe that sufficient income will be earned in the future to realize these assets.

For additional information regarding our income tax provision, see Note 3, Income Taxes, in the Notes to Consolidated Financial Statements.

## **Liquidity and Capital Resources**

Our primary source of cash is from the sale of our products. Our primary use of cash is payment of our operating costs which consist primarily of employee-related expenses, such as compensation and benefits, as well as general operating expenses for marketing, facilities and overhead costs. In addition to operating expenses, we also use cash to fund our stock repurchase program and to invest in our growth initiatives, which include business acquisitions. See further discussion of these items below.

At January 31, 2008, our principal sources of liquidity were cash, cash equivalents and short-term marketable securities totaling \$949.3 million and net accounts receivable of \$386.5 million. In addition, we also have available a U.S. line of credit facility. This line of credit permits unsecured short-term borrowings of up to \$250.0 million, and is available for working capital or other business needs. The credit agreement contains customary covenants which could restrict liens, certain types of additional debt and dispositions of assets if Autodesk fails to maintain its financial covenants. Autodesk pays a quarterly commitment fee, ranging between \$62,500 and \$156,250, to maintain this facility. This facility expires in August 2012 and there were no borrowings outstanding at January 31, 2008.

At January 31, 2008, our investment portfolio included auction rate securities with an estimated fair value of \$8.4 million (\$9.0 million cost basis). Autodesk's auction rate securities are variable rate debt instruments that have underlying securities with contractual maturities greater than ten years and interest rates that are reset at auction every 28 days. These AAA-rated auction rate securities, which met Autodesk's investment guidelines at the time the investments were made, have failed to settle in auctions since August 2007. The failed auctions resulted in the interest rate on these investments resetting at Libor plus 125 basis points, which represents a premium interest rate on these investments. At this time, these investments are not currently liquid, and in the event Autodesk needs to access these funds, the Company will not be able to do so without a loss of principal unless a future auction on these investments is successful. Autodesk has reduced the carrying value of these investments by \$0.6 million through other comprehensive income or loss to reflect a temporary impairment on these securities. Currently, Autodesk believes these investments are temporarily impaired, but it is not clear in what period of time they will be settled. Based on our ability to access our cash and other short-term investments, our expected operating cash flows and our other sources of cash, the Company has the intention and ability to



**Table of Contents**

hold the securities until the value recovers or to maturity. Due to the lack of liquidity of these investments, they are included in Marketable securities non-current. Autodesk will continue to evaluate its accounting for these investments on a quarterly basis. See Note 12, Financial Instruments, for further discussion of Autodesk's financial instruments.

Net cash flows provided by operating activities increased \$131.9 million to \$708.5 million during fiscal 2008 as compared to the prior fiscal year. The increase was primarily due to an increase in net income of \$66.5 million from fiscal 2007 to fiscal 2008 and improved working capital management. Net working capital changes were driven primarily by increases in accrued compensation and other accrued liabilities that increased cash flows from operations by \$38.4 million and \$26.9 million, respectively.

Long-term cash requirements for items other than normal operating expenses are anticipated for the following: development of new software products and incremental product offerings resulting from the enhancement of existing products; financing anticipated growth; the share repurchase program; the acquisition of businesses, software products, or technologies complementary to our business; and capital expenditures, including the purchase and implementation of internal-use software applications. In addition, \$26.7 million of our marketable securities are held in a rabbi trust under non-qualified deferred compensation plans as of January 31, 2008. See Note 4, Deferred Compensation, in the Notes to Consolidated Financial Statements for further discussion.

Our international operations are subject to currency fluctuations. To minimize the effect of these fluctuations, we use foreign currency option contracts to hedge our exposure on anticipated transactions and forward contracts to hedge our exposure on firm commitments, primarily certain receivables and payables denominated in foreign currencies. Our foreign currency instruments, by policy, have maturities of less than three months and settle before the end of each quarterly period. The principal currencies hedged during fiscal 2008 were the euro, British pound, Japanese yen, Swiss franc and Canadian dollar. We monitor our foreign exchange exposures to ensure the overall effectiveness of our foreign currency hedge positions.

**Contractual Obligations**

The following table summarizes our significant financial contractual obligations at January 31, 2008 and the effect such obligations are expected to have on our liquidity and cash flows in future periods. This table excludes amounts already recorded on our balance sheet as current liabilities at January 31, 2008.

|                             | Total    | Fiscal<br>Year 2009 | Fiscal Years<br>2010-2011<br>(in millions) | Fiscal Years<br>2012-2013 | Thereafter |
|-----------------------------|----------|---------------------|--|---------------------------|------------|
| Operating lease obligations | \$ 229.6 | \$ 61.4             | \$ 92.5                                    | \$ 50.9                   | \$ 24.8    |
| Purchase obligations        | 39.0     | 39.0                |  |                           |            |
| Total(1)(2)                 | \$ 268.6 | \$ 100.4            | \$ 92.5                                    | \$ 50.9                   | \$ 24.8    |

- (1) Total does not include contractual obligations recorded on the balance sheet or certain purchase obligations as discussed below.
- (2) The table also excludes our liability for unrecognized tax benefits in accordance with FIN 48, which totaled \$152.4 million as of January 31, 2008, since we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities. See Note 3 Income Taxes to the Notes to the Consolidated Financial Statements.

For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding on Autodesk and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

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## **Table of Contents**

Purchase orders or contracts for the purchase of supplies, services and other goods and services are not included in the table above. We are not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current procurement or development needs and are fulfilled by our vendors within short time horizons. We do not have significant agreements for the purchase of supplies, services or other goods specifying minimum quantities or set prices that exceed our expected requirements for three months. We also enter into contracts for outsourced services; however, in most instances, the obligations under these contracts are not significant and the contracts contain clauses allowing for cancellation without significant penalty. In addition, we have certain software royalty commitments associated with the shipment and licensing of certain products. Royalty expense is generally based on the number of units shipped or a percentage of the underlying revenue. Royalty expense, included in cost of license and other revenue, was \$14.9 million in fiscal 2008, \$16.8 million in fiscal 2007, \$12.1 million in fiscal 2006.

Principal commitments at January 31, 2008 shown above consist of obligations under operating leases for facilities and computer equipment, IT infrastructure costs, marketing costs and contractual development costs. Purchase commitments also include \$24.5 million related to a termination fee for an outsource application hosting services agreement entered into during fiscal 2006. This fee is reduced as time elapses during the five-year contract period.

The expected timing of payment of the obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services or changes to agreed-upon amounts for some obligations.

We provide indemnifications of varying scopes and certain guarantees, including limited product warranties. Historically, costs related to these warranties and indemnifications have not been significant, but because potential future costs are highly variable, we are unable to estimate the maximum potential impact of these guarantees on our future results of operations.

### **Off-Balance Sheet Arrangements**

Other than operating leases, we do not engage in off-balance sheet financing arrangements or have any variable-interest entities. As of January 31, 2008 we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

### **Stock Compensation**

As of January 31, 2008, we maintained two active stock option plans for the purpose of granting stock options to employees and non-employee members of Autodesk's Board of Directors ( "Board" ): the 2006 Employee Stock Plan ( "2006 Plan" ), which is available only to employees, and the 2000 Directors' Option Plan, as amended ( "2000 Plan" ), which is available only to non-employee directors. Additionally, there are seven expired or terminated plans with options outstanding, including the 1996 Stock Plan which was replaced by the 2006 Employee Stock Plan in March 2006.

The 2006 Plan, which was approved by Autodesk's stockholders on November 10, 2005, reserved 9.65 million shares of Autodesk common stock plus 0.22 million shares that remained available for issuance under the 1996 Stock Plan upon its expiration, for issuance under the plan. At January 31, 2008, 2.5 million shares were available for future issuance under this plan. The 2006 Plan expires in March 2008. The 2000 Plan, which was originally approved by the stockholders in June 2000, allows for an automatic annual grant of options to non-employee members of Autodesk's Board of Directors. At January 31, 2008, 0.31 million shares were available for future issuance. The 2000 Plan will expire in March 2010.

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**Table of Contents**

On November 6, 2007, Autodesk's stockholders approved a new stock plan, the 2008 Employee Stock Plan (the "2008 Plan"), to become effective in March 2008 upon the expiration of the 2006 Plan. The 2008 Plan reserves 16.5 million shares of Autodesk common stock, plus 0.48 million shares that remained available for issuance under the 2006 Stock Plan upon its expiration, for issuance under that plan. The 2008 Plan will permit the grant of stock options, restricted stock and restricted stock units; however, no more than 2.5 million of the shares reserved for issuance under the 2008 Plan may be issued for awards of restricted stock and restricted stock units. The 2008 Plan will expire in March 2011.

Our stock option program is broad-based and designed to promote long-term retention. Essentially all of our employees participate. Approximately 94% of the options we granted during fiscal 2008 were awarded to employees other than our CEO, CFO and the three other most highly compensated officers for fiscal 2008, which we refer to as our Named Executive Officers. Options granted under our equity plans during fiscal 2008 vest over periods ranging from one to four years and expire within six to ten years of the date of grant. Since March 2005, the exercise price of all stock options granted is equal to the fair market value of the stock on the grant date.

All stock option grants to executive officers are made by the Compensation and Human Resources Committee of the Board of Directors. All members of the Compensation and Human Resources Committee are independent directors, as defined by the listing standards of the NASDAQ Global Select Market. Grants to our non-employee directors are non-discretionary and are pre-determined by the terms of the 2000 Plan.

For further information concerning Autodesk's policies and procedures regarding the use of stock options, see "Compensation Discussion and Analysis" incorporated herein by reference to the section entitled "Executive Compensation," in our Proxy Statement for our fiscal year 2008 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the fiscal year ended January 31, 2008.

In addition to our stock option plans, our employees are also eligible to participate in Autodesk's 1998 Employee Qualified Stock Purchase Plan ("ESP Plan"). Eligible employees may purchase shares of Autodesk's common stock at their discretion using up to 15% of their compensation subject to certain limitations, at not less than 85% of fair market value as defined in the plan agreement. At January 31, 2008, 22.1 million shares were available for future issuance. This amount will automatically be increased on the first trading day of each fiscal year by an amount equal to the lesser of 10.0 million shares or 2.0% of the total outstanding shares plus any shares repurchased by Autodesk during the prior fiscal year. We typically issue shares on March 31 and September 30 of each fiscal year. The provisions of this plan expire during fiscal 2018.

On August 17, 2006, Autodesk disclosed that the Audit Committee of the Board of Directors was conducting a voluntary review of Autodesk's historical stock option granting practices and related accounting issues. Due to this review, Autodesk was not current with its reporting obligations under the Securities Exchange Act of 1934 until June 2007, and suspended contributions and purchases under the ESP Plan during the third quarter of fiscal 2007 and the first quarter of fiscal 2008. On September 18, 2006, Autodesk's Board of Directors approved an amendment to the Company's ESP Plan which provided for active participant employees at the time of the suspension to become automatically enrolled in the next offering period, unless they elected not to participate. The Board of Directors also approved a one-time cash bonus of \$8.8 million to non-executive employees enrolled in the ESP Plan at that date. This bonus approximated the profits employee participants would have made on the scheduled September 30, 2006 exercise date, had the purchases been made and the shares been sold on the next trading day at close of market, and was expensed as additional compensation expense at the time it was paid. On March 22, 2007, Autodesk's Board of Directors approved an amendment, which superseded the September 18, 2006 amendment, which provided for active participant employees at the time of the suspension to become automatically enrolled in the next offering period ending in September 2007, unless they elected not to participate. In June 2007 the Company became current with its financial filings and resumed employee contributions to the ESP Plan.

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**Table of Contents**

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**Foreign currency exchange risk**

Our revenue, earnings and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Our risk management strategy utilizes foreign currency forward and option contracts to manage our foreign currency exposures that exist as part of our ongoing business operations, but such contracts do not extend beyond the current quarter. Contracts are primarily denominated in euros, British pounds, Japanese yen, Swiss francs, and Canadian dollars. We do not enter into any foreign exchange derivative instruments for trading or speculative purposes.

Autodesk utilizes foreign currency option collar contracts to reduce the exchange rate impact on the net revenue of certain anticipated transactions. A sensitivity analysis performed on our hedging portfolio as of January 31, 2008 indicated that a hypothetical 10% appreciation of the U.S. dollar from its value at January 31, 2008 would increase the fair value of our forward exchange and option contracts by \$3.9 million. A hypothetical 10% depreciation of the dollar from its value at January 31, 2008 would decrease the fair value of our forward exchange and option contracts by \$2.8 million. The results of the sensitivity analysis performed on our hedging portfolio as of January 31, 2007 indicated that a hypothetical 10% appreciation of the U.S. dollar from its value at January 31, 2007 would have increased the fair value of our forward exchange and option contracts by \$0.4 million and a hypothetical 10% depreciation of the dollar from its value at January 31, 2007 would have increased the fair value of our forward exchange and option contracts by \$0.9 million. We do not anticipate any material adverse impact to our consolidated financial position, results of operations or cash flows as a result of these foreign currency forward and option contracts.

**Interest rate sensitivity**

At January 31, 2008, we had an investment portfolio of fixed income securities and short term mutual fund balances of \$31.4 million. These securities were not subject to interest rate fluctuations. At January 31, 2007, we had an investment portfolio of fixed income securities and short term mutual fund balances of \$112.0 million. These securities were also not subject to interest rate fluctuations. The short-term mutual fund balances included \$26.7 million at January 31, 2008 and \$27.2 million at January 31, 2007 of amounts held in a rabbi trust under deferred compensation arrangements. See Note 4, Deferred Compensation, in the Notes to Consolidated Financial Statements for further discussion.

We do not use derivative financial instruments in our investment portfolio to manage interest rate risk. We place our investments in instruments that meet high credit quality standards, as specified in our investment policy guidelines, which limits the amount of credit exposure to any one issue, issuer or type of instrument.

**Table of Contents****ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
AUTODESK, INC.****CONSOLIDATED STATEMENTS OF INCOME**

|  | <b>Fiscal year ended January 31,</b>        |                 |                 |
|--|---|-----------------|-----------------|
|  | <b>2008</b>                                 | <b>2007</b>     | <b>2006</b>     |
|  | <b>(in millions, except per share data)</b> |                 |                 |
| <b>Net revenue:</b>  |   |                 |                 |
| License and other  | \$ 1,618.6                                  | \$ 1,415.9      | \$ 1,261.8      |
| Maintenance  | 553.3                                       | 423.9           | 275.4           |
| <b>Total net revenue</b>                                     | <b>2,171.9</b>                              | <b>1,839.8</b>  | <b>1,537.2</b>  |
| <b>Costs and expenses:</b>                                   |   |                 |                 |
| Cost of license and other revenue                            | 198.3                                       | 207.9           | 158.0           |
| Cost of maintenance revenue                                  | 8.6   | 8.7             | 13.1            |
| Marketing and sales  | 842.7                                       | 696.1           | 556.0           |
| Research and development                                     | 485.3                                       | 406.3           | 303.2           |
| General and administrative                                   | 191.4                                       | 171.1           | 128.4           |
| <b>Total costs and expenses</b>                              | <b>1,726.3</b>                              | <b>1,490.1</b>  | <b>1,158.7</b>  |
| Income from operations                                       | 445.6                                       | 349.7           | 378.5           |
| Interest and other income, net                               | 24.4  | 16.8            | 13.2            |
| Income before income taxes                                   | 470.0                                       | 366.5           | 391.7           |
| Provision for income taxes                                   | (113.8)                                     | (76.8)          | (58.1)          |
| <b>Net income</b>  | <b>\$ 356.2</b>                             | <b>\$ 289.7</b> | <b>\$ 333.6</b> |
| <b>Basic net income per share</b>                            | <b>\$ 1.55</b>                              | <b>\$ 1.26</b>  | <b>\$ 1.46</b>  |
| <b>Diluted net income per share</b>                          | <b>\$ 1.47</b>                              | <b>\$ 1.19</b>  | <b>\$ 1.35</b>  |
| <b>Shares used in computing basic net income per share</b>   | <b>230.3</b>                                | <b>230.7</b>    | <b>229.0</b>    |
| <b>Shares used in computing diluted net income per share</b> | <b>242.0</b>                                | <b>243.2</b>    | <b>247.5</b>    |

See accompanying Notes to Consolidated Financial Statements.

**Table of Contents****AUTODESK, INC.****CONSOLIDATED BALANCE SHEETS**

|   | January 31,<br>2008 | January 31,<br>2007 |
|---|---------------------|---------------------|
|   | (in millions)       |                     |
| <b>ASSETS</b>   |                     |                     |
| Current assets:   |                     |                     |
| Cash and cash equivalents   | \$ 917.9            | \$ 665.9            |
| Marketable securities   | 31.4                | 112.0               |
| Accounts receivable, net  | 386.5               | 301.3               |
| Deferred income taxes   | 98.1                | 78.1                |
| Prepaid expenses and other current assets   | 47.9                | 32.4                |
| <b>Total current assets</b>   | <b>1,481.8</b>      | <b>1,189.7</b>      |
| Marketable securities   | 8.4                 |                     |
| Computer equipment, software, furniture and leasehold improvements, net   | 80.2                | 65.6                |
| Purchased technologies, net   | 64.4                | 51.3                |
| Goodwill  | 443.4               | 355.3               |
| Deferred income taxes, net  | 51.3                | 59.8                |
| Other assets  | 79.4                | 75.8                |
|   | <b>\$ 2,208.9</b>   | <b>\$ 1,797.5</b>   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                     |                     |
| Current liabilities:  |                     |                     |
| Accounts payable  | \$ 79.3             | \$ 61.0             |
| Accrued compensation  | 162.4               | 120.7               |
| Accrued income taxes  | 14.4                | 23.6                |
| Deferred revenues   | 400.7               | 311.4               |
| Other accrued liabilities   | 89.7                | 57.5                |
| <b>Total current liabilities</b>  | <b>746.5</b>        | <b>574.2</b>        |
| Deferred revenues   | 105.4               | 67.4                |
| Long term income taxes payable  | 86.5                |                     |
| Other liabilities   | 40.0                | 40.9                |
| Commitments and contingencies   |                     |                     |
| Stockholders' equity:   |                     |                     |
| Preferred stock, \$0.01 par value; 2.0 million shares authorized; none issued or outstanding at January 31, 2008 and 2007   |                     |                     |
| Common stock and additional paid-in capital, \$0.01 par value; 750.0 million shares authorized; 230.0 million shares outstanding at January 31, 2008 and 231.1 million shares outstanding at January 31, 2007 | 998.3               | 908.3               |
| Accumulated other comprehensive income (loss)   | 13.8                | (3.6)               |
| Retained earnings   | 218.4               | 210.3               |
| <b>Total stockholders' equity</b>   | <b>1,230.5</b>      | <b>1,115.0</b>      |
|   | <b>\$ 2,208.9</b>   | <b>\$ 1,797.5</b>   |

See accompanying Notes to Consolidated Financial Statements.



**Table of Contents****AUTODESK, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

|   | Fiscal year ended January 31, |                 |                 |
|---|-------------------------------|-----------------|-----------------|
|   | 2008                          | 2007            | 2006            |
|   | (in millions)                 |                 |                 |
| <b>Operating Activities</b>   |                               |                 |                 |
| Net income  | \$ 356.2                      | \$ 289.7        | \$ 333.6        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                               |                 |                 |
| Charge for acquired in-process research and development                           | 5.5                           |                 | 9.1             |
| Depreciation and amortization   | 61.3                          | 53.5            | 43.7            |
| Stock-based compensation expense  | 99.3                          | 94.3            | 4.6             |
| Net loss on fixed asset disposals   |                               |                 | 0.1             |
| Tax benefits from employee stock plans  |                               | 5.1             | 124.6           |
| Restructuring related charges, net  |                               | 1.1             |                 |
| Changes in operating assets and liabilities, net of business combinations:        |                               |                 |                 |
| Accounts receivable   | (78.3)                        | (39.8)          | (45.8)          |
| Deferred income taxes   | 56.5                          | 40.1            | (84.0)          |
| Prepaid expenses and other current assets   | (13.6)                        | 11.0            | (0.7)           |
| Accounts payable and accrued liabilities  | 81.4                          | 2.4             | (14.4)          |
| Deferred revenues   | 125.6                         | 107.1           | 71.7            |
| Accrued income taxes  | 14.6                          | 12.1            | (27.3)          |
| <b>Net cash provided by operating activities</b>                                  | <b>708.5</b>                  | <b>576.6</b>    | <b>415.2</b>    |
| <b>Investing Activities</b>   |                               |                 |                 |
| Purchases of available-for-sale marketable securities                             | (727.0)                       | (345.0)         | (279.3)         |
| Sales and maturities of available-for-sale marketable securities                  | 799.1                         | 325.2           | 204.0           |
| Business combinations, net of cash acquired                                       | (114.5)                       | (52.5)          | (242.1)         |
| Capital and other expenditures  | (43.3)                        | (35.3)          | (20.5)          |
| Acquisition of equity investment  |                               | (12.5)          |                 |
| Other investing activities  |                               | 2.3             | (0.1)           |
| <b>Net cash used in investing activities</b>                                      | <b>(85.7)</b>                 | <b>(117.8)</b>  | <b>(338.0)</b>  |
| <b>Financing Activities</b>   |                               |                 |                 |
| Proceeds from issuance of common stock, net of issuance costs                     | 187.3                         | 74.2            | 144.6           |
| Repurchases of common stock   | (563.0)                       | (154.4)         | (446.6)         |
| Dividends paid  |                               |                 | (3.4)           |
| Other financing activities  |                               |                 | (0.2)           |
| <b>Net cash used in financing activities</b>                                      | <b>(375.7)</b>                | <b>(80.2)</b>   | <b>(305.6)</b>  |
| Effect of exchange rate changes on cash and cash equivalents                      | 4.9                           | 0.1             | (2.1)           |
| <b>Net increase (decrease) in cash and cash equivalents</b>                       | <b>252.0</b>                  | <b>378.7</b>    | <b>(230.5)</b>  |
| Cash and cash equivalents at beginning of year                                    | 665.9                         | 287.2           | 517.7           |
| <b>Cash and cash equivalents at end of period</b>                                 | <b>\$ 917.9</b>               | <b>\$ 665.9</b> | <b>\$ 287.2</b> |
| <b>Supplemental cash flow information:</b>  |                               |                 |                 |
| Net cash paid during the period for income taxes                                  | \$ 47.1                       | \$ 14.7         | \$ 44.2         |



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Supplemental non-cash investing activity:

|  |    |     |    |     |        |
|--|----|-----|----|-----|--------|
| Increase in goodwill and corresponding change in other accrued liabilities resulting from adjustments to purchase accounting estimates | \$ | 6.4 | \$ | 2.5 | \$     |
| Accounts receivable and other receivable reductions as partial consideration in business combinations                                  | \$ |     | \$ |     | \$ 2.4 |

See accompanying Notes to Consolidated Financial Statements.

**Table of Contents****AUTODESK, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY****(In millions)**

|  | Common stock and additional paid-in capital |          | Comprehensive income | Accumulated other comprehensive income (loss) |           | Deferred compensation | Retained earnings | Total stockholders equity |
|--|---|----------|----------------------|---|-----------|-----------------------|-------------------|---------------------------|
|  | Shares                                      | Amount   |                      |   |           |                       |                   |                           |
| Balances, January 31, 2005                                       | 227.6                                       | \$ 656.2 |                      | \$ (2.8)                                      | \$ (10.5) | \$ 6.9                | \$ 649.8          |                           |
| Common shares issued under stock option and stock purchase plans | 13.7  | 144.6    |                      |   | (5.8)     |                       | 138.8             |                           |
| Compensation expense related to stock options                    |   | 4.6      |                      |   | 6.2       |                       | 10.8              |                           |
| Tax benefits from employee stock plans                           |   | 124.6    |                      |   |           |                       | 124.6             |                           |
| Comprehensive income:  |   |          |                      |   |           |                       |                   |                           |
| Net income   |   |          | \$ 333.6             |   |           |                       | 333.6             |                           |
| Foreign currency translation adjustment                          |   |          | (4.6)                | (4.6)   |           |                       | (4.6)             |                           |
| Comprehensive income   |   |          | \$ 329.0             |   |           |                       |                   |                           |
| Dividends paid   |   |          |                      |   |           | (3.4)                 | (3.4)             |                           |
| Repurchase and retirement of common shares                       | (11.7)                                      | (126.2)  |                      |   |           | (320.4)               | (446.6)           |                           |
| Balances, January 31, 2006                                       | 229.6                                       | 803.8    |                      | (7.4)   | (10.1)    | 16.7                  | 803.0             |                           |
| Common shares issued under stock option and stock purchase plans | 5.7   | 74.2     |                      |   |           |                       | 74.2              |                           |
| Compensation expense related to stock options                    |   | 94.3     |                      |   |           |                       | 94.3              |                           |
| Reclassifications required by SFAS 123R                          |   | (10.8)   |                      |   | 10.1      |                       | (0.7)             |                           |
| Tax benefits from employee stock plans                           |   | 5.1      |                      |   |           |                       | 5.1               |                           |
| Comprehensive income:  |   |          |                      |   |           |                       |                   |                           |
| Net income   |   |          | \$ 289.7             |   |           |                       | 289.7             |                           |
| Foreign currency translation adjustment                          |   |          | 3.8                  | 3.8   |           |                       | 3.8               |                           |
| Comprehensive income   |   |          | \$ 293.5             |   |           |                       |                   |                           |
| Repurchase and retirement of common shares                       | (4.2)                                       | (58.3)   |                      |   |           | (96.1)                | (154.4)           |                           |
| Balances, January 31, 2007                                       | 231.1                                       | 908.3    |                      | (3.6)   |           | 210.3                 | 1,115.0           |                           |
| Cumulative effect of the adoption of FIN 48                      |   | (1.4)    |                      |   |           | 26.4                  | 25.0              |                           |
| Common shares issued under stock option and stock purchase plans | 11.0  | 187.3    |                      |   |           |                       | 187.3             |                           |
| Compensation expense related to stock options                    |   | 99.3     |                      |   |           |                       | 99.3              |                           |
| Tender offer   |   | (4.4)    |                      |   |           |                       | (4.4)             |                           |
| Tax benefits from employee stock plans                           |   | (2.3)    |                      |   |           |                       | (2.3)             |                           |
| Comprehensive income:  |   |          |                      |   |           |                       |                   |                           |
| Net income   |   |          | \$ 356.2             |   |           |                       | 356.2             |                           |
| Other comprehensive income, net of tax:                          |   |          |                      |   |           |                       |                   |                           |
| Change in unrealized loss on available-for-sale securities       |   |          | (0.4)                |   |           |                       |                   |                           |
| Foreign currency translation adjustment                          |   |          | 17.8                 |   |           |                       |                   |                           |
| Other comprehensive income                                       |   |          | 17.4                 | 17.4  |           |                       | 17.4              |                           |
| Comprehensive income   |   |          | \$ 373.6             |   |           |                       |                   |                           |

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|  |        |          |    |      |         |         |    |         |
|--|--------|----------|----|------|---------|---------|----|---------|
| Repurchase and retirement of common shares | (12.1) | (188.5)  |    |      | (374.5) | (563.0) |    |         |
| Balances, January 31, 2008                 | 230.0  | \$ 998.3 | \$ | 13.8 | \$      | 218.4   | \$ | 1,230.5 |

See accompanying Notes to Consolidated Financial Statements.

**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**January 31, 2007**

**(In millions of dollars, except share and per share data)**

**Note 1. Business and Summary of Significant Accounting Policies**

*Business*

Autodesk, Inc. (Autodesk or the Company) is one of the world's leading design software and services companies, offering customers progressive business solutions through powerful technology products and services. The Company helps customers in the architectural, engineering, construction, manufacturing, geospatial mapping and digital media markets. The Company's state of the art software products enable its customers to experience their ideas before they are real by allowing them to create and document their designs and to visualize, simulate and analyze real-world performance early in the design process by creating digital prototypes. These capabilities give Autodesk's customers the flexibility to optimize and improve their designs before they actually begin the building process, helping save time and money, improving quality and fostering innovation. Autodesk software products are sold in over 160 countries, both directly to customers and through a network of resellers and distributors.

*Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of Autodesk and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in Autodesk's consolidated financial statements and notes thereto. These estimates are based on information available as of the date of the consolidated financial statements. On a regular basis, management evaluates these estimates and assumptions. Actual results may differ materially from these estimates.

Examples of significant estimates and assumptions made by management involve the determination of the fair value of stock awards to employees and directors (See Employee Stock-Based Compensation within this Note 1 and Note 2, Employee and Director Benefit Plans, for further discussion), product returns accruals, partner incentive accruals, allowance for doubtful accounts, tax accruals, the realizability of deferred tax assets and long-lived assets, goodwill valuation, and legal settlement reserves.

*Foreign Currency Translation*

The assets and liabilities of Autodesk's foreign subsidiaries are translated from their respective functional currencies into U.S. dollars at the rates in effect at the balance sheet date, and revenue and expense amounts are translated at weighted average rates during the period. Foreign currency translation adjustments are recorded as other comprehensive income.

Gains and losses realized from foreign currency transactions, those transactions denominated in currencies other than the foreign subsidiary's functional currency, are included in interest and other income, net.

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**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Forward Foreign Exchange Contracts ( Forwards ) and Option Contracts ( Options )*

Autodesk hedges a portion of its European, Asian and Canadian currency exposures in certain receivables and payables as well as certain anticipated cash flows denominated in foreign currencies using forwards and options. These foreign currency instruments, by policy, have maturities of less than three months.

In accordance with the provisions of Statement of Financial Accounting Standards No. 133 Accounting for Derivative Instruments and Hedging Activities ( SFAS 133 ), Autodesk recognizes all derivative instruments on the balance sheet at fair value. The accounting for gains and losses resulting from changes in fair value of derivative instruments will depend upon the use of the derivative and whether it is designated and qualifies for hedge accounting under SFAS 133.

The costs of forwards are amortized on a straight-line basis over the life of the contract to interest and other income, net, while option premiums are expensed within the quarter due to the short-term life of the options.

*Cash and Cash Equivalents*

Autodesk considers all highly liquid investments with insignificant interest rate risk and original maturities of three months or less to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

*Marketable Securities*

Marketable securities are stated at fair value. Marketable securities maturing within one year that are not restricted are classified as current assets. Auction rate securities with an estimated fair value of \$8.4 million at January 31, 2008 are classified as non-current marketable securities; for additional information see Note 12, Financial Instruments.

Autodesk determines the appropriate classification of its marketable securities at the time of purchase and re-evaluates such classification as of each balance sheet date. Autodesk classifies all of its marketable securities as available-for-sale and carries such securities at fair value, with unrealized gains and losses, net of tax, reported in stockholders' equity until disposition or maturity.

All of Autodesk's available-for-sale marketable securities are subject to a periodic impairment review. The Company recognizes an impairment charge when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. Autodesk considers various factors in determining whether to recognize an impairment charge, including the length of time and extent to which the fair value has been less than Autodesk's cost basis, the financial condition and near-term prospects of the investee, and Autodesk's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in the market value. Autodesk has recorded \$0.6 million of unrealized loss, which was considered temporary, through other comprehensive income during fiscal year 2008. No impairment charges were recorded on any investments during the years ended 2007 or 2006. For additional information, see Concentration of Credit Risk within this Note 1, and Note 12, Financial Instruments.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Accounts Receivable, Net*

Accounts receivable, net consisted of the following as of January 31:

|  | <b>2008</b> | <b>2007</b> |
|--|-------------|-------------|
| Trade accounts receivable                | \$ 439.0    | \$ 341.5    |
| Less: Allowance for doubtful accounts    | (7.8)       | (9.9)       |
| Less: Product returns and other reserves | (44.7)      | (30.3)      |
| Accounts receivable, net                 | \$ 386.5    | \$ 301.3    |

Allowances for uncollectible trade receivables are based upon historical loss patterns, the number of days that billings are past due and an evaluation of the potential risk of loss associated with problem accounts.

The product returns and other reserves are based on historical experience of actual product returns, estimated channel inventory levels, the timing of new product introductions, channel sell-in for applicable markets and other factors.

*Concentration of Credit Risk*

Autodesk places its cash, cash equivalents and marketable securities with and in the custody of financial institutions with high credit standing and, by policy, limits the amounts invested with any one institution, type of security and issuer. Approximately 21% and 26% of Autodesk's consolidated cash, cash equivalents and marketable securities were held with financial institutions in the United States at January 31, 2008 and 2007, respectively. Cash held in the Other Americas; Europe, Middle East and Africa; and Asia/Pacific regions accounted for 1%, 42% and 36% of total consolidated cash, cash equivalents and marketable securities, respectively, at January 31, 2008. Cash held in the Other Americas; Europe, Middle East and Africa; and Asia/Pacific regions accounted for 2%, 48% and 24% of total consolidated cash, cash equivalents and marketable securities, respectively, at January 31, 2007.

At January 31, 2008, Autodesk's investment portfolio included auction rate securities with an estimated fair value of \$8.4 million (\$9.0 million cost basis). See Note 12, Financial Instruments, for further discussion of Autodesk's financial instruments including its auction rate securities.

Autodesk's accounts receivable are derived from sales to a large number of resellers, distributors and direct customers in the Americas; Europe, Middle East and Africa; and Asia/Pacific regions. Autodesk performs ongoing evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary, but generally requires no collateral. In fiscal 2008, 2007 and 2006, total sales to Tech Data Corporation, including its affiliates (Tech Data), accounted for 14%, 12% and 11% of Autodesk's consolidated net revenue, respectively. The majority of the net revenue from sales to Tech Data relates to Autodesk's Design Solutions Segment. In addition, Tech Data accounted for 15% and 16% of gross accounts receivable at January 31, 2008 and 2007, respectively.

*Computer Equipment, Software, Furniture and Leasehold Improvements, Net*

Computer equipment, software and furniture are depreciated using the straight-line method over the estimated useful lives of the assets, which range from two to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life or the lease term. Depreciation expense was \$33.9 million in fiscal 2008, \$31.0 million in fiscal 2007 and \$33.8 million in fiscal 2006.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Computer equipment, software, furniture, leasehold improvements and the related accumulated depreciation at January 31 were as follows:

|   | <b>2008</b> | <b>2007</b> |
|---|-------------|-------------|
| Computer equipment, software and furniture, at cost                           | \$ 257.9    | \$ 224.4    |
| Leasehold improvements, at cost   | 61.2        | 43.0        |
|   | 319.1       | 267.4       |
| Less: Accumulated depreciation  | (238.9)     | (201.8)     |
| Computer equipment, software, furniture and other leasehold improvements, net | \$ 80.2     | \$ 65.6     |

Costs incurred for computer software developed or obtained for internal use are capitalized for application development activities, if material, and immediately expensed for preliminary project activities and post-implementation activities. These capitalized costs are amortized over the expected useful life of the software, which is generally three years.

*Software Development Costs*

Software development costs incurred prior to the establishment of technological feasibility are included in research and development expenses. Autodesk defines establishment of technological feasibility as the completion of a working model. Software development costs incurred subsequent to the establishment of technological feasibility through the period of general market availability of the products are capitalized and generally amortized over a one year period, if material. Autodesk had no capitalized software development costs at January 31, 2008 and January 31, 2007.

*Purchased Technologies, Net*

Purchased technologies are amortized over the estimated economic life of the product, which ranges from one to seven years. Amortization expense, which is included as a component of cost of revenue, was \$15.9 million in fiscal 2008, \$12.9 million in fiscal 2007 and \$8.2 million in fiscal 2006.

Purchased technologies and related accumulated amortization at January 31 were as follows:

|                                | <b>2008</b> | <b>2007</b> |
|--------------------------------|-------------|-------------|
| Purchased technologies         | \$ 227.5    | \$ 199.4    |
| Less: Accumulated amortization | (163.1)     | (148.1)     |
| Purchased technologies, net    | \$ 64.4     | \$ 51.3     |

The weighted average amortization period for purchased technologies acquired during fiscal 2008 was 5.3 years.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Expected future amortization expense for purchased technologies for each of the fiscal years ended thereafter is as follows:

|              | <b>Year ending<br/>January 31,</b> |
|--------------|------------------------------------|
| 2009         | \$ 17.0                            |
| 2010         | 15.4                               |
| 2011         | 14.3                               |
| 2012         | 11.8                               |
| 2013         | 3.5                                |
| Thereafter   | 2.4                                |
| <b>Total</b> | <b>\$ 64.4</b>                     |

*Goodwill*

Goodwill consists of the excess of cost over the fair value of net assets acquired in business combinations accounted for as purchases. Autodesk assigns goodwill to the reportable segment associated with each business combination. As required under Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets, Autodesk does not amortize goodwill but instead tests it for impairment annually in the fourth quarter or more often if and when circumstances indicate potential impairment. When assessing goodwill for impairment, Autodesk uses discounted cash flow models which include assumptions regarding projected cash flows. Variances in these assumptions could have a significant impact on the conclusion as to whether goodwill assets are impaired or the amount of the impairment charge. Impairment charges, if any, result from instances where the fair value of net assets associated with goodwill are less than their carrying values. There was no impairment of goodwill during the years ended January 31, 2008, 2007 and 2006.

The changes in the carrying amount of goodwill during the years ended January 31, 2008 and 2007 are as follows:

|   | <b>Design<br/>Solutions</b> | <b>Media and<br/>Entertainment</b> | <b>Total</b>    |
|---|-----------------------------|------------------------------------|-----------------|
| Balance as of January 31, 2006  | \$ 227.7                    | \$ 90.5                            | \$ 318.2        |
| Constructware acquisition   | 35.9                        |                                    | 35.9            |
| Other acquisitions, purchase accounting adjustments, effect of foreign currency translation and other | (3.8)                       | 5.0                                | 1.2             |
| Balance as of January 31, 2007  | 259.8                       | 95.5                               | 355.3           |
| Robobat acquisition   | 25.9                        |                                    | 25.9            |
| NavisWorks acquisition  | 9.3                         |                                    | 9.3             |
| Other acquisitions  | 38.1                        | 12.2                               | 50.3            |
| Effect of foreign currency translation, purchase accounting adjustments and other                     | 2.6                         |                                    | 2.6             |
| <b>Balance as of January 31, 2008</b>   | <b>\$ 335.7</b>             | <b>\$ 107.7</b>                    | <b>\$ 443.4</b> |

Purchase accounting adjustments reflect revisions made to the Company's preliminary purchase price allocation during fiscal 2008 and 2007.





**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Impairment of Long-Lived Assets*

At least annually or more frequently as circumstances dictate, Autodesk assesses the recoverability of its long-lived assets by comparing the undiscounted net cash flows associated with such assets against their respective carrying values. Impairment, if any, is based on the excess of the carrying value over the fair value. There was no impairment of long-lived assets during the years ended January 31, 2008 and 2007.

In addition to the recoverability assessments, Autodesk routinely reviews the remaining estimated useful lives of its long-lived assets. Any reduction in the useful life assumption will result in increased depreciation and amortization expense in the quarter when such determinations are made, as well as in subsequent quarters.

*Deferred Tax Assets*

Deferred tax assets arise primarily from net operating losses including stock option deductions taken in fiscal years prior to fiscal 2007, as well as tax credits, non-deductible accruals and timing differences for purchased technologies and capitalized software, offset by the establishment of U.S. deferred tax liabilities on unremitted earnings from certain foreign subsidiaries. They are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce gross deferred tax assets to the amount more likely than not expected to be realized in accordance with Statement of Financial Accounting Standards No. 109 Accounting for Income Taxes.

*Employee Stock-Based Compensation*

On February 1, 2006, Autodesk adopted Statement of Financial Accounting Standards No. 123R Share-Based Payment ( SFAS 123R ), which requires the measurement of all stock-based payments to employees and directors, including grants of stock options and purchases related to an employee stock purchase plan ( ESP Plan ), using a fair-value based method, and the recording of such expense in Autodesk's Consolidated Statements of Income. The estimated fair value of stock-based awards is amortized to expense on a straight-line basis over the awards' vesting period. The following table summarizes stock-based compensation expense related to employee stock options and employee stock purchases for fiscal 2008 and 2007, which was recorded as follows:

|   | Fiscal Year Ended<br>January 31,<br>2008 | Fiscal Year Ended<br>January 31,<br>2007 |
|---|--|--|
| Cost of license and other revenue   | \$ 5.0                                   | \$ 5.4                                   |
| Marketing and sales   | 43.1                                     | 41.9                                     |
| Research and development  | 32.4                                     | 30.1                                     |
| General and administrative  | 18.8                                     | 16.9                                     |
| Stock-based compensation expense related to employee options and employee stock purchases                   | 99.3                                     | 94.3                                     |
| Tax benefit   | (21.0)                                   | (22.8)                                   |
| Stock-based compensation expense related to employee stock options and employee stock purchases, net of tax | \$ 78.3                                  | \$ 71.5                                  |

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Autodesk uses the Black-Scholes-Merton option pricing model to estimate the fair value of stock option awards and the fair value of awards under the ESP Plan based on the following assumptions:

|                                    | Fiscal Year Ended<br>January 31, 2008 |       |          |       | Fiscal Year Ended<br>January 31, 2007 |       |          |       | Fiscal Year Ended<br>January 31, 2006 |       |          |       |
|------------------------------------|---------------------------------------|-------|----------|-------|---------------------------------------|-------|----------|-------|---------------------------------------|-------|----------|-------|
|                                    | Stock Option<br>Plans                 |       | ESP Plan |       | Stock Option<br>Plans                 |       | ESP Plan |       | Stock Option<br>Plans                 |       | ESP Plan |       |
|                                    | Range of expected volatilities        | 0.33  | 0.36     | 0.29  | 0.34                                  | 0.36  | 0.39     | 0.37  | 0.40                                  | 0.40  | 0.49     | 0.35  |
| Range of expected lives (in years) | 2.6                                   | 4.2   | 0.3      | 2.0   | 2.5                                   | 4.4   | 0.5      | 2.0   | 4.1                                   | 4.3   | 0.5      | 2.0   |
| Expected dividends                 | 0.0%                                  |       | 0.0%     |       | 0.0%                                  |       | 0.0%     |       | 0.0%                                  |       | 0.0%     |       |
| Range of risk-free interest rates  | 3.07                                  | 5.11% | 3.98     | 5.06% | 4.58                                  | 5.13% | 4.67     | 5.01% | 3.82%                                 | 4.48% | 3.14%    | 4.18% |
| Expected forfeitures               | 13.0%                                 |       | 13.0%    |       | 13.1%                                 |       | 7.0%     |       | n/a                                   |       | n/a      |       |

Autodesk estimates expected volatility for options granted under the Company's stock option plans and ESP Plan awards based on two measures. The first is a measure of historical volatility in the trading market for the Company's common stock, and the second is the implied volatility of traded forward call options to purchase shares of the Company's common stock.

Autodesk estimates the expected life of options granted under the Company's stock option plans. In estimating the expected term, both exercise behavior and post-vesting termination behavior were included in the analysis, as well as consideration of outstanding options. The Company estimates the expected term of share purchases under the ESP Plan based upon each future scheduled purchase date.

Effective after the dividend on the Company's common stock for the fourth quarter of fiscal 2005, which was paid in April 2006, Autodesk discontinued payment of cash dividends. Autodesk does not currently anticipate paying any cash dividends in the foreseeable future. Consequently, an expected dividend yield of zero is used in the Black-Scholes-Merton option pricing model.

The risk-free interest rate used in the Black-Scholes-Merton option pricing model for options granted under the Company's stock option plans and ESP Plan awards is the historical yield on U.S. Treasury securities with equivalent remaining lives.

In addition to the assumptions used in the Black-Scholes-Merton option pricing model, SFAS 123R requires that the Company recognize expense only for the awards that are ultimately expected to vest. Therefore, Autodesk is required to develop an estimate of the number of awards expected to cancel prior to vesting (forfeiture rate). The forfeiture rate is estimated based on historical pre-vest cancellation experience, and is applied to all share-based awards. The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates.

As a result of the Company's voluntary review of its historical stock option grant practices, it was determined that certain stock options had been issued by the Company with exercise prices below the fair value of the stock at the time of grant (discounted options). Under Section 409A of the U.S. Internal Revenue Code (Section 409A) and a comparable provision of the California tax code (California Section 409A), adverse tax consequences to employees may arise as a result of the exercise of these discounted stock options. In order to

**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

alleviate adverse tax consequences to Autodesk employees, the Company informed affected employees that it would participate in 409A compliance programs offered by these tax jurisdictions. These compliance programs allow the Company to pay the taxes due on these discounted options on behalf of its employees. During the first quarter of fiscal year 2008, Autodesk's Board of Directors approved the payment of these taxes. The Company recorded \$13.7 million of employee tax expenses during fiscal 2008.

*Revenue Recognition*

Autodesk recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collection is probable. Autodesk's revenue recognition policies are in compliance with the provisions of the American Institute of Certified Public Accountants' Statement of Position 97-2, Software Revenue Recognition (SOP 97-2) as amended, and SEC Staff Accounting Bulletin No. 104, Revenue Recognition in Financial Statements.

For multiple element arrangements that include software products, Autodesk allocates the sales price among each of the deliverables using the residual method, under which revenue is allocated to undelivered elements based on their vendor-specific objective evidence (VSOE) of fair value. VSOE is the price charged when an element is sold separately or a price set by management with the relevant authority. If Autodesk does not have VSOE of the undelivered element, revenue recognition is deferred on the entire sales arrangement until all elements are delivered. Revenue recognition for significant lines of business is discussed further below.

Autodesk's assessment of likelihood of collection is also a critical element in determining the timing of revenue recognition. If collection is not probable, the revenue will be deferred until the earlier of when collection is deemed probable or cash is received.

License and other revenue are comprised of two components: (1) all forms of product license revenue and (2) other revenue:

*All Forms of Product License Revenue*

Product license revenue includes: software license revenue from the sale of new seats, upgrades and crossgrades, product revenue for Advanced Systems sales wherein software is bundled with hardware components, and revenue from Autodesk Buzzsaw on-demand collaboration software and service. Revenue from upgrades is generated under the Autodesk Upgrade Program and Autodesk Crossgrade Program. Autodesk's existing customers who are using a currently supported version of a product can upgrade to the latest release of the product by paying a separate fee at the time of upgrade that is based on the number of versions being upgraded. An existing customer also has the option to upgrade to a discipline-specific or 3D product, which generally has a higher price, for a premium fee; this is referred to as a crossgrade.

Autodesk's product license revenue from distributors and resellers is generally recognized at the time title to Autodesk's product passes to the distributor or reseller, provided all other criteria for revenue recognition are met. Autodesk establishes reserves for product returns based on historical experience of actual product returns, estimated channel inventory levels, the timing of new product introductions, channel sell-in for applicable markets and other factors. These reserves are recorded as a direct reduction of revenue and accounts receivable at the time the related revenue is recognized.

*Other Revenue*

Other revenue includes revenue from consulting, training, Autodesk Developers Network and Advanced Systems customer support, and is recognized over time, as the services are performed.

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**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Maintenance Revenue*

Maintenance revenue consists of revenue from the Company's Subscription Program. Under this program, customers are eligible to receive unspecified upgrades when-and-if-available, downloadable training courses and on-line support. Autodesk recognizes maintenance revenue from its Subscription Program ratably over the maintenance subscription contract periods.

*Shipping and Handling Costs*

Shipping and handling costs are included in cost of revenue for all periods presented.

*Advertising Expenses*

Advertising costs are expensed as incurred. Total advertising expenses incurred were \$27.6 million in fiscal 2008, \$21.8 million in fiscal 2007 and \$26.2 million in fiscal 2006.

*Net Income Per Share*

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the combination of the dilutive effect of stock options and the weighted average number of common shares outstanding. Autodesk has no potentially dilutive securities other than stock options.

*Recently Issued Accounting Standards*

In December 2007, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 141 (revised 2007) Business Combinations ( SFAS 141R ). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This statement will be effective for Autodesk's fiscal year beginning February 1, 2009, and will be adopted on a prospective basis. Autodesk is currently evaluating the impact that SFAS 141R will have on its consolidated financial position, results of operations or cash flows.

In December 2007, the FASB also issued Statement of Financial Accounting Standards No. 160 Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 ( SFAS 160 ). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement will be effective for Autodesk's fiscal year beginning February 1, 2009. Autodesk does not believe the adoption of SFAS 160 will have a material effect on its consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115 ( SFAS 159 ), which expands the use of fair value measurement by permitting entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. This statement is required to be adopted by Autodesk as of February 1, 2008. Autodesk does not believe the adoption of SFAS 159 will have a material effect on its consolidated financial position, results of operations or cash flows.

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**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In September 2006, the FASB also issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( SFAS 157 ), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements but instead is intended to eliminate inconsistencies with respect to this topic found in various other accounting pronouncements. This Statement is effective as of February 1, 2008 for Autodesk's 2009 fiscal year, including interim periods within its 2009 fiscal year, with the exception of a one year deferral for the implementation of the Statement for other nonfinancial assets and liabilities. Autodesk does not believe the adoption of SFAS 157 will have a material effect on its consolidated financial position, results of operations or cash flows.

*Reclassifications*

Certain reclassifications have been made to prior year amounts to conform to the current presentation.

**Note 2. Employee and Director Benefit Plans**

*Stock Option Plans*

As of January 31, 2008, Autodesk maintained two active stock option plans for the purpose of granting stock options to employees and to non-employee members of Autodesk's Board of Directors, the 2006 Employee Stock Plan ( 2006 Plan ), which is available only to employees, and the 2000 Directors' Option Plan, as amended ( 2000 Plan ), which is available only to non-employee directors. Additionally, there are seven expired or terminated plans with options outstanding, including the 1996 Stock Plan, which was replaced by the 2006 Plan in March 2006.

The 2006 Plan, which was approved by Autodesk's stockholders on November 10, 2005, reserved 9.65 million shares of Autodesk common stock, plus 0.22 million shares that remained available for issuance under the 1996 Stock Plan upon its expiration, for issuance under that plan. At January 31, 2008, 2.5 million shares were available for future issuance under that plan. The 2006 Plan expired on March 21, 2008. The 2000 Plan, which was approved by the stockholders in June 2000, allows for an automatic annual grant of options to non-employee members of Autodesk's Board of Directors. At January 31, 2008, 0.31 million shares were available for future issuance. The 2000 Plan will expire in March of 2010.

Options granted under the above mentioned plans vest over periods ranging from one to four years and generally expire within six to ten years from the date of grant. Under the 2006 Plan and the 2000 Plan, the option term is limited to no more than seven years. During fiscal 2008 and 2007, the exercise price of all stock options granted under these plans is equal to the fair market value of the stock on the grant date.

On November 6, 2007, the Company's stockholders approved the 2008 Employee Stock Plan (the 2008 Plan ), which began upon expiration of the 2006 Plan on March 21, 2008. The 2008 Plan reserves 16.5 million shares of Autodesk common stock, plus 0.48 million shares that remained available for issuance under the 2006 Stock Plan upon its expiration, for issuance under that plan. The 2008 Plan permits the grant of stock options, restricted stock and restricted stock units; however, no more than 2.5 million of the shares reserved for issuance under the 2008 Plan may be issued pursuant to awards of restricted stock and restricted stock units. The 2008 Plan will expire in March 2011.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A summary of stock option activity for the fiscal year ended January 31, 2008 is as follows:

|  | Number of<br>Shares<br>(in thousands) | Weighted<br>average price<br>per share |
|--|---------------------------------------|--|
| Options outstanding at January 31, 2007            | 29,374                                | \$ 21.03                               |
| Granted  | 10,508                                | 32.25                                  |
| Exercised  | (10,197)                              | 16.12                                  |
| Forfeited  | (1,411)                               | 28.21                                  |
| Expired  | (3,768)                               |  |
| Options outstanding at January 31, 2008            | 24,506                                | \$ 28.75                               |
| Options exercisable at January 31, 2008            | 12,446                                | \$ 18.73                               |
| Options available for grant at January 31, 2008(1) | 2,847                                 |  |

(1) Does not include 16.5 million shares available under the 2008 Plan (see above).

The total pre-tax intrinsic value of options exercised was \$308.5 million in fiscal 2008, \$127.2 million in fiscal 2007, and \$341.1 million in fiscal 2006. The intrinsic value of options exercised is calculated as the difference between the exercise price of the option and the market value of the stock on the date of exercise. The weighted average grant date fair value of stock options granted during fiscal 2008, 2007 and 2006, calculated as of the stock option grant date using the Black-Scholes-Merton option pricing model, was \$14.41, \$13.25 and \$13.45 per share, respectively. As of January 31, 2008, total compensation cost related to non-vested awards not yet recognized of \$91.2 million is expected to be recognized over a weighted average period of 1.81 years.

The following table summarizes information about options outstanding and exercisable at January 31, 2008:

|                                     |         | Options Exercisable |             |               | Options Outstanding |             |          |               |          |
|-------------------------------------|---------|---------------------|-------------|---------------|---------------------|-------------|----------|---------------|----------|
|                                     |         | Number of           | Weighted    | Aggregate     | Number of           | Weighted    | Weighted | Aggregate     |          |
|                                     |         | Shares (in          | average     | intrinsic     | Shares              | average     | average  | intrinsic     |          |
|                                     |         | thousands)          | contractual | value(1)      | (in                 | contractual | exercise | value(1)      |          |
|                                     |         |                     | life (in    | (in millions) | thousands)          | life        | price    | (in millions) |          |
|                                     |         |                     | years)      |               |                     | (in years)  |          |               |          |
|                                     |         |                     |             |               |                     |             |          |               |          |
| Range of per-share exercise prices: |         |                     |             |               |                     |             |          |               |          |
| \$0.20                              | \$11.60 | 4,873               | \$ 8.48     |               | 4,904               |             | \$ 8.44  |               |          |
| \$11.69                             | \$29.37 | 4,933               | 19.24       |               | 6,694               |             | 20.52    |               |          |
| \$30.15                             | \$38.00 | 1,929               | 34.38       |               | 5,301               |             | 35.22    |               |          |
| \$38.10                             | \$45.29 | 499                 | 41.07       |               | 6,523               |             | 43.93    |               |          |
| \$47.24                             | \$49.80 | 212                 | 47.24       |               | 1,084               |             | 48.54    |               |          |
|                                     |         | 12,446              | 5.0         | \$ 18.73      | \$ 280.8            | 24,506      | 4.9      | \$ 28.75      | \$ 332.0 |

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- (1) Represents the total pre-tax intrinsic value, based on Autodesk's closing stock price of \$41.15 per share as of January 31, 2008, which would have been received by the option holders had all option holders exercised their options as of that date. These options will expire if not exercised at specific dates ranging through November 2015. At January 31, 2008, a total of 24.9 million shares of Autodesk's common stock have been reserved for future issuance under existing stock option and stock purchase programs.



**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***1998 Employee Qualified Stock Purchase Plan*

Under Autodesk's ESP Plan, which was approved by stockholders in 1998, eligible employees may purchase shares of Autodesk's common stock at their discretion using up to 15% of their compensation subject to certain limitations, at not less than 85% of fair market value as defined in the plan agreement. At January 31, 2008, a total of 22.1 million shares were available for future issuance. This amount will automatically be increased on the first trading day of each fiscal year by an amount equal to the lesser of 10.0 million shares or 2.0% of the total of (1) outstanding shares plus (2) any shares repurchased by Autodesk during the prior fiscal year. Under the ESP Plan, the Company issues shares on March 31 and September 30 of each fiscal year. The provisions of this plan expire during fiscal 2018.

On August 17, 2006, Autodesk disclosed that the Audit Committee of the Board of Directors was conducting a voluntary review of Autodesk's historical stock option granting practices and related accounting issues. Due to this review, Autodesk was not current with its reporting obligations under the Securities Exchange Act of 1934 until June 2007, and suspended contributions and purchases under the ESP Plan during the third quarter of fiscal 2007 and the first quarter of fiscal 2008. On September 18, 2006, Autodesk's Board of Directors approved an amendment to the Company's ESP Plan which provided for active participant employees at the time of the suspension to become automatically enrolled in the next offering period, unless they elected not to participate. The Board of Directors also approved a one-time cash bonus of \$8.8 million to non-executive employees enrolled in the ESP Plan at that date. This bonus approximated the profits employee participants would have made on the scheduled September 30, 2006 exercise date, had the purchases been made and the shares been sold on the next trading day at close of market, and was expensed as additional compensation expense at the time it was paid. On March 22, 2007, Autodesk's Board of Directors approved an amendment, which superseded the September 18, 2006 amendment, which provided for active participant employees at the time of the suspension to become automatically enrolled in the next offering period ending in September 2007, unless they elected not to participate. In June 2007 the Company became current with its financial filings and resumed employee contributions to the ESP Plan.

Autodesk issued 0.8 million shares at an average price of \$28.96 per share in fiscal 2008, 0.8 million shares at an average price of \$22.46 per share in fiscal 2007, and 1.9 million shares at an average price of \$17.99 per share in fiscal 2006. The weighted average grant date fair value of awards granted under the ESP Plan during fiscal 2008, 2007 and 2006, calculated as of the award grant date using the Black-Scholes-Merton option pricing model, was \$16.77, \$12.21 and \$14.36 per share respectively.

*Tender Offer*

On June 4, 2007, after Autodesk became current with its reporting obligations under the Securities Exchange Act of 1934, the Company filed a Tender Offer Statement on Schedule TO with the SEC. The tender offer extended an offer by Autodesk to holders of certain outstanding stock options granted under the Company's 1996 Stock Plan and Nonstatutory Stock Option Plan (the "Stock Plans") to amend the exercise price on certain of their outstanding options. The purpose of the tender offer was to amend the exercise price on options to have the same price as the fair market value on revised measurement dates that were identified during the Company's voluntary review of its historical stock option grant practices. As part of this tender offer, the Company paid a cash bonus of \$4.8 million in January 2008 to reimburse optionees who elected to participate in the tender offer for any increase in the exercise price of their options resulting from the amendment. The impact of the bonus, which was recorded during the second quarter of fiscal 2008, resulted in a decrease to additional paid-in capital of \$4.4 million, an increase in stock-based compensation expense of \$0.3 million and an increase in payroll tax expenses of \$0.2 million.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Equity Compensation Plan Information*

The following table summarizes the number of outstanding options granted to employees and directors, as well as the number of securities remaining available for future issuance under these plans as of January 31, 2008 (number of securities in thousands).

| Plan category   | (a)<br>Number of securities<br>to be issued upon<br>exercise of<br>outstanding options | (b)<br>Weighted-average<br>exercise price<br>of<br>outstanding<br>options | (c)<br>Number of securities remaining<br>available for future issuance<br>under equity compensation<br>plans (excluding securities<br>reflected in column (a)) |
|---|--|---|--|
| Equity compensation plans approved by security holders(1)     | 22,658   | \$ 30.31  | 24,911(2)  |
| Equity compensation plans not approved by security holders(3) | 1,848  | 9.65  |  |
| <b>Total</b>  | <b>24,506</b>  | <b>\$ 28.75</b>   | <b>24,911</b>  |

(1) Included in these amounts are 0.1 million securities available to be issued upon exercise of outstanding options with a weighted-average exercise price of \$2.88 per share related to equity compensation plans assumed in connection with previous business mergers and acquisitions.

(2) Included in this amount are 22.1 million securities available for future issuance under Autodesk's ESP Plan.

(3) Amounts correspond to Autodesk's Nonstatutory Stock Option Plan, which was terminated by the Board of Directors in December 2004. *Pretax Savings Plan*

Autodesk has a 401(k) plan that covers nearly all U.S. employees. Eligible employees may contribute up to 50% of their pretax salary, subject to limitations mandated by the Internal Revenue Service. Autodesk makes voluntary cash contributions and matches a portion of employee contributions in cash. Autodesk's contributions were \$8.6 million in fiscal 2008, \$7.5 million in fiscal 2007, and \$6.6 million in fiscal 2006. Autodesk does not allow participants to invest in Autodesk common stock through the 401(k) plan.

*Other Plans*

Autodesk provides defined contribution plans in certain foreign countries where required by statute. Autodesk's funding policy for foreign defined contribution plans is consistent with the local requirements in each country. Autodesk's contributions to these plans were \$10.3 million in fiscal 2008, \$7.9 million in fiscal 2007, and \$5.5 million in fiscal 2006. Autodesk also has defined benefit plans in certain foreign countries where required by statute. These plans were not material for disclosure in accordance with the standards of SFAS 158.

In addition, Autodesk offers a non-qualified deferred compensation plan to certain key employees whereby they may defer a portion (or all) of their annual compensation until retirement or a different date specified by the employee in accordance with terms of the plan. See Note 4, *Deferred Compensation*, for further discussion.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 3. Income Taxes**

The provision for income taxes consists of the following:

|          | Fiscal year ended<br>January 31, |         |         |
|----------|----------------------------------|---------|---------|
|          | 2008                             | 2007    | 2006    |
| Federal: |                                  |         |         |
| Current  | \$ 5.4                           | \$      | \$ 1.2  |
| Deferred | 50.0                             | 38.9    | 45.2    |
| State:   |                                  |         |         |
| Current  | 2.0                              | 1.3     | 7.1     |
| Deferred | 10.4                             | (1.0)   | (1.3)   |
| Foreign: |                                  |         |         |
| Current  | 50.4                             | 27.5    | 17.6    |
| Deferred | (4.4)                            | 10.1    | (11.7)  |
|          | \$ 113.8                         | \$ 76.8 | \$ 58.1 |

Pursuant to footnote 82 of SFAS 123R, the Company did not record fiscal year 2008 and 2007 excess stock option tax benefits of \$86.1 million and \$42.3 million, respectively, to additional paid-in capital. The amount will be recorded into equity when it reduces cash taxes payable. The tax benefit recognized as a credit to additional paid-in capital associated with dispositions from employee stock plans was \$124.6 million in fiscal 2006. Foreign pretax income was \$425.3 million in fiscal 2008, \$354.1 million in fiscal 2007, and \$276.2 million in fiscal 2006.

The differences between the U.S. statutory rate and the aggregate income tax provision are as follows:

|  | Fiscal year ended January 31, |          |          |
|--|-------------------------------|----------|----------|
|  | 2008                          | 2007     | 2006     |
| Income tax provision at statutory rate                               | \$ 164.5                      | \$ 128.3 | \$ 137.0 |
| Foreign income taxed at rates different from the U.S. statutory rate | (64.7)                        | (46.9)   | (52.6)   |
| Non-deductible stock-based compensation                              | 15.8                          | 12.8     | 0.5      |
| Tax benefit from closure of income tax audits                        | (3.0)                         | (12.4)   | (10.0)   |
| Research and development tax credit benefit                          | (5.8)                         | (5.6)    | (3.6)    |
| Extraterritorial income exclusion                                    | 0.6                           | (5.0)    | (8.9)    |
| State income taxes, net of the Federal benefit                       | 3.6                           | 2.5      | 3.5      |
| Officer compensation in excess of \$1.0 million                      | 0.7                           | 0.2      | 0.6      |
| Tax benefit from DRD Legislation on prior year foreign earnings      |                               |          | (12.5)   |
| Non-deductible In-Process research and development charge            |                               |          | 3.1      |
| Other  | 2.1                           | 2.9      | 1.0      |
|  | \$ 113.8                      | \$ 76.8  | \$ 58.1  |

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Significant components of Autodesk's deferred tax assets and liabilities are as follows:

|   | January 31, |          |
|---|-------------|----------|
|   | 2008        | 2007     |
| Research and development credit carryforwards     | \$ 83.2     | \$ 58.7  |
| Tax loss carryforwards                            | 10.7        | 82.1     |
| Foreign tax credit carryforwards                  | 44.1        | 46.6     |
| Nonqualified stock options                        | 32.7        | 24.1     |
| Accrued compensation and benefits                 | 31.5        | 22.3     |
| Other accruals not currently deductible for tax   | 9.3         | 15.3     |
| Fixed assets                                      | 7.4         | 15.0     |
| Capitalized research and development expenditures | 6.3         | 7.7      |
| Purchased technology and capitalized software     | 6.8         |          |
| Reserves for product returns and bad debts        | 3.2         | 6.1      |
| Other   | 2.3         | 0.8      |
| <br>  |             |          |
| Total deferred tax assets                         | 237.5       | 278.7    |
| Less: valuation allowance                         | (16.2)      | (7.4)    |
| <br>  |             |          |
| Net deferred tax assets                           | 221.3       | 271.3    |
| <br>  |             |          |
| Purchased technology and capitalized software     |             | (15.9)   |
| Unremitted earnings of foreign subsidiaries       | (71.9)      | (117.5)  |
| <br>  |             |          |
| Total deferred tax liability                      | (71.9)      | (133.4)  |
| <br>  |             |          |
| Net deferred tax assets                           | \$ 149.4    | \$ 137.9 |

Autodesk adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) on February 1, 2007. As a result of the adoption of FIN 48, Autodesk recorded approximately \$25.0 million of unrecognized tax benefits, with a corresponding increase in the beginning balance of retained earnings of \$26.4 million and a decrease to additional paid in capital of \$1.4 million. Of the total retained earnings adjustment, \$19.5 million related to previously disclosed tax benefits for goodwill and other intangible amortization.

The valuation allowance increased by \$8.8 million and \$5.2 million in fiscal 2008 and 2007, respectively, and decreased by \$0.2 million in fiscal 2006. The fiscal 2008 increase is primarily related to Canadian deferred taxes, which Autodesk doesn't expect to realize based on the standard set forth in SFAS 109.

No provision has been made for Federal income taxes on unremitted earnings of certain of Autodesk's foreign subsidiaries (cumulatively \$539.5 million at January 31, 2008) because Autodesk plans to reinvest such earnings for the foreseeable future. At January 31, 2008, the unrecognized deferred tax liability for these earnings was approximately \$168.3 million.

Realization of the Company's net deferred tax assets of \$149.4 million is dependent upon the Company generating approximately \$408 million of future taxable income in appropriate tax jurisdictions to obtain benefit from the reversal of temporary differences, net operating loss carryforwards and tax credits. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are reduced.

Cash payments for income taxes were approximately \$47.1 million in fiscal 2008, \$14.7 million in fiscal 2007, and \$44.2 million in fiscal 2006.



**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of January 31, 2008, Autodesk had \$326.0 million of cumulative Federal tax loss carryforwards and \$114.3 million of cumulative state tax loss carryforwards, which may be available to reduce future income tax liabilities in certain jurisdictions. A portion of these Federal and state carryforwards was acquired through the Company's acquisitions, the utilization of which is subject to certain limitations imposed by the Internal Revenue Code and similar state tax provisions. These Federal and state tax loss carryforwards will expire beginning fiscal 2010 through fiscal 2028 and fiscal 2012 through fiscal 2019, respectively.

As of January 31, 2008, Autodesk had \$47.9 million of cumulative Federal research tax credit carryforwards, \$28.9 million of cumulative California state research tax credit carryforwards and \$29.1 million of cumulative Canadian tax credit carryforwards, which may be available to reduce future income tax liabilities in the respective jurisdictions. The Federal credit carryforwards will expire beginning fiscal 2011 through fiscal 2029, the state credit carryforwards may reduce future California income tax liabilities indefinitely, and the Canadian tax credit carryforwards will expire beginning fiscal 2013 through fiscal 2029. Autodesk also has \$77.6 million of cumulative foreign tax credit carryforwards, which may be available to reduce future U. S. tax liabilities. The foreign tax credit will expire beginning fiscal 2015 through fiscal 2019.

Utilization of net operating losses and tax credits may be subject to an annual limitation due to ownership change limitations provided in the Internal Revenue Code and similar state provisions. This annual limitation may result in the expiration of net operating losses and credits before utilization.

As a result of certain business and employment actions and capital investments undertaken by Autodesk, income earned in certain countries is subject to reduced tax rates through fiscal 2019. The income tax benefits attributable to the tax status of these business arrangements are estimated to be \$9.0 million (\$0.04 basic net income per share) in fiscal 2008, \$15.0 million (\$0.06 basic net income per share) in fiscal 2007, and \$31.0 million (\$0.14 basic net income per share) in fiscal 2006. The amount for fiscal year 2006 includes consideration of incremental tax benefits received from the American Jobs Creation Act of 2004 ( DRD Legislation ).

During fiscal 2008, Autodesk recognized income tax benefits of approximately \$3.0 million primarily related to the lapse of foreign statute of limitations with respect to fiscal 2001.

During fiscal 2007, Autodesk recognized the following income tax benefits:

In December 2006, Congress passed the Tax Relief and Health Care Act of 2006 which resulted in the reinstatement of the Federal research and development credit to the beginning of Autodesk's fiscal 2007 year. Autodesk recorded an income tax benefit of \$5.6 million from this Act during the fourth quarter of fiscal 2007.

Autodesk also recognized an income tax benefit of \$12.5 million related to the lapse of the statute of limitations with respect to certain Federal and foreign tax years and the release of tax reserves with respect to fiscal 2003, offset by one-time income tax expense of \$3.0 million primarily associated with the expiration of a capital loss carryforward.

During fiscal 2006, Autodesk recognized the following income tax items:

Autodesk repatriated approximately \$512 million of foreign earnings under the DRD Legislation, which resulted in the reclassification of \$12.6 million of Federal deferred taxes to current taxes payable relating to the repatriation of prior year foreign earnings and the accrual of \$11.6 million of current Federal taxes relating to the repatriation of current year foreign earnings.



**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Autodesk recognized an income tax benefit of \$12.5 million relating to the DRD Legislation. Of this amount, \$10.6 million related to foreign withholding taxes previously accrued which were no longer due as part of the repatriation of foreign earnings under the DRD Legislation, and \$1.9 million related to an Internal Revenue Service ( IRS ) technical correction of the DRD Legislation.

As a result of the Company's resolution and closure of its Franchise Tax Board ( FTB ) audits for fiscal 2000 and 2001, as well as the closure and lapse of the statute of limitations with respect to certain Federal and foreign tax years, Autodesk recognized income tax benefits of approximately \$10.0 million.

As of January 31, 2008, the Company had approximately \$152.4 million of gross unrecognized tax benefits, excluding interest, of which approximately \$138.0 million represents the amount of unrecognized tax benefits that would impact the effective tax rate, if recognized. The remaining \$14.4 million relates to items that would result in balance sheet reclassification only, with no impact to income tax expense. It is possible that the amount of unrecognized tax benefits will change in the next twelve months; however an estimate of the range of the possible change cannot be made at this time.

A reconciliation of the beginning and ending amount of the gross unrecognized tax benefits is as follows:

|   |          |
|---|----------|
| Gross unrecognized tax benefits at February 1, 2007     | \$ 137.7 |
| Increases for tax positions of prior years              | 2.7      |
| Increases for tax positions related to the current year | 15.5     |
| Decreases for settlements of tax matters                |          |
| Decreases for lapse of statute of limitations           | (3.5)    |
| Gross unrecognized tax benefits at January 31, 2008     | \$ 152.4 |

It is the Company's continuing practice to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had approximately \$2.7 million, net of tax benefit, accrued for interest and \$0 accrued for penalties related to unrecognized tax benefits as of January 31, 2008.

Autodesk and its subsidiaries are subject to income tax in the United States as well as numerous state and foreign jurisdictions. The Company's U.S. and state income tax returns for fiscal year 2003 through fiscal year 2008 remain open to examination. In addition, the company files tax returns in multiple foreign taxing jurisdictions with open tax years ranging from fiscal year 2000 to 2008.

**Note 4. Deferred Compensation**

At January 31, 2008, Autodesk had marketable securities totaling \$39.8 million, of which \$26.7 million related to investments in debt and equity securities that are held in a rabbi trust under non-qualified deferred compensation plans. The value of debt and equity securities held in the rabbi trust at January 31, 2007 was \$27.2 million. The total related deferred compensation liability was \$26.7 million at January 31, 2008, of which \$18.2 million was classified as current and \$8.5 million was classified as non-current liabilities. The total related deferred compensation liability at January 31, 2007 was \$27.2 million of which \$12.5 million was classified as current and \$14.7 million was classified as non-current liabilities. The current and non-current portions of the liability are recorded in the Consolidated Balance Sheets under Accrued compensation and Other liabilities, respectively.



**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 5. Borrowing Arrangements**

Autodesk has available a U.S. line of credit facility. This line of credit facility permits unsecured short-term borrowings of up to \$250.0 million, and is available for working capital or other business needs. The credit agreement contains customary covenants which could restrict liens, certain types of additional debt and dispositions of assets if Autodesk fails to maintain its financial covenants. This facility expires in August 2012 and there were no borrowings outstanding at January 31, 2008.

**Note 6. Commitments and Contingencies***Leases*

Autodesk leases office space and computer equipment under noncancellable operating lease agreements. The leases generally provide that Autodesk pay taxes, insurance and maintenance expenses related to the leased assets. Future minimum lease payments for fiscal years ended January 31 are as follows:

|                       |          |
|-----------------------|----------|
| 2009                  | \$ 61.4  |
| 2010                  | 50.5     |
| 2011                  | 42.0     |
| 2012                  | 28.8     |
| 2013                  | 22.1     |
| Thereafter            | 24.8     |
|                       | 229.6    |
| Less: Sublease income | (3.7)    |
|                       | \$ 225.9 |

Autodesk leases office space under arrangements expiring through 2017. Certain of these lease arrangements contain escalation clauses. Autodesk leases computer equipment under arrangements expiring through 2012. Rent expense is recognized on a straight-line basis over the lease period. Rent expense was \$49.6 million in fiscal 2008, \$40.6 million in fiscal 2007, and \$38.0 million in fiscal 2006.

*Purchase commitments*

Autodesk, in the normal course of business, enters into various purchase commitments for goods or services. Total non-cancellable purchase commitments as of January 31, 2008 were approximately \$39.0 million for periods through fiscal 2009. These purchase commitments primarily result from contracts for the acquisition of IT infrastructure, marketing and software development services. Of the total purchase commitments, \$24.5 million related to a termination fee for an outsource application hosting services agreement entered into during fiscal 2006. This fee is reduced as time lapses during the five-year contract period.

Autodesk has certain royalty commitments associated with the shipment and licensing of certain products. Royalty expense is generally based on a dollar amount per unit shipped or a percentage of the underlying revenue. Royalty expense, which was recorded under cost of license and other revenue on Autodesk's Consolidated Statements of Income, was \$14.9 million in fiscal 2008, \$16.8 million in fiscal 2007, and \$12.1 million in fiscal 2006.

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**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Indemnifications*

In the normal course of business, Autodesk provides indemnifications of varying scopes, including limited product warranties and indemnification of customers against claims of intellectual property infringement made by third parties arising from the use of its products or services. Autodesk accrues for known indemnification issues if a loss is probable and can be reasonably estimated. Historically, costs related to these indemnifications have not been significant, but because potential future costs are highly variable, Autodesk is unable to estimate the maximum potential impact of these indemnifications on its future results of operations.

In connection with the purchase, sale or license of assets or businesses with third parties, Autodesk has entered into or assumed customary indemnification agreements related to the assets or businesses purchased, sold or licensed. Historically, costs related to these indemnifications have not been significant, but because potential future costs are highly variable, Autodesk is unable to estimate the maximum potential impact of these indemnifications on its future results of operations.

As permitted under Delaware law, Autodesk has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at Autodesk's request in such capacity. The maximum potential amount of future payments Autodesk could be required to make under these indemnification agreements is unlimited; however, Autodesk has Directors' and Officers' Liability insurance coverage that is intended to reduce its financial exposure and may enable Autodesk to recover a portion of any future amounts paid. Autodesk believes the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

*Legal Proceedings*

On August 26, 2005, Telstra Corporation Limited (Telstra) filed suit in the Federal Court of Australia, Victoria District Registry against Autodesk Australia Pty Ltd. (AAPL) seeking partial indemnification for claims filed against Telstra by SpatialInfo Pty Limited relating to Telstra's use of certain software in the management of its computer based cable plant records system. On December 12, 2005, SpatialInfo added AAPL as a defendant to its lawsuit against Telstra. In February 2008, the parties agreed to settle all outstanding claims and dismiss the action. The final resolution of the litigation did not have a material effect on Autodesk's results of operations, cash flows or financial position in a particular period.

During the fourth quarter of fiscal 2007, three stockholder derivative lawsuits were filed against Autodesk and certain of the Company's current and former directors and officers relating to its historical stock option practices and related accounting: on November 20, 2006, the Company and certain of its current and former members of the Board were sued in United States Federal District Court for the Northern District of California in a stockholder derivative action, entitled *Giles v. Bartz, et al.*, Case No. C06-8175 (the *Giles Case*). On December 29, 2006, the Company, certain of its current and former members of the Board, and certain current and past executive officers were sued in United States Federal District Court for the Northern District of California in a stockholder derivative action, entitled *Campion v. Sutton, et al.*, Case No. C06-07967. This lawsuit was consolidated into the previously mentioned *Giles* case and later voluntarily dismissed by the plaintiff on January 31, 2007. On January 9, 2007, the Company, certain of its current and former members of the Board, and certain current and former executive officers were sued in the Superior Court for the State of California, County of Marin in a stockholder derivative action, entitled *Koerner v. Bartz, et al.*, Case No. CV-070112 (the *Koerner Case*). The plaintiff in the *Giles Case* filed an amended and restated complaint on December 3, 2007, and the plaintiff in the *Koerner Case* filed an amended and restated complaint on December 7, 2007. These actions are in the preliminary stages and Autodesk cannot determine the final financial impact of these matters based on the facts known at this time. However, it is possible that an unfavorable resolution of the matters could occur and materially affect its future results of operations, cash flows or financial position in a particular period.

**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In connection with Autodesk's anti-piracy program, designed to enforce copyright protection of its software and conducted both internally and through the Business Software Alliance (BSA), from time to time the Company undertakes litigation against alleged copyright infringers or provides information to criminal justice authorities to conduct actions against alleged copyright infringers. Such lawsuits have led to counter claims alleging improper use of litigation or violation of other local law and have recently increased in frequency, especially in Latin America.

In addition, Autodesk is involved in legal proceedings from time to time arising from the normal course of business activities including claims of alleged infringement of intellectual property rights, commercial, employment, piracy prosecution and other matters. In the Company's opinion, resolution of pending matters is not expected to have a material adverse impact on its consolidated results of operations, cash flows or its financial position. However, it is possible that an unfavorable resolution of one or more such proceedings could in the future materially affect its future results of operations, cash flows or financial position in a particular period.

**Note 7. Stockholders' Equity**

*Preferred Stock*

Under Autodesk's Certificate of Incorporation, 2.0 million shares of preferred stock are authorized. At January 31, 2008, there were no preferred shares issued or outstanding. The Board of Directors has the authority to issue the preferred stock in one or more series and to fix rights, preferences, privileges and restrictions, including dividends, and the number of shares constituting any series or the designation of such series, without any further vote or action by the stockholders.

Autodesk entered into a Preferred Shares Rights Agreement dated December 14, 1995, as amended (the Rights Agreement). At the close of business on December 14, 2005, pursuant to the terms of the Rights Agreement, the Rights expired, effectively terminating the Rights Agreement.

*Common Stock Repurchase Programs*

Autodesk has a stock repurchase program that helps offset the dilution to net income per share caused by the issuance of stock under the Company's employee stock plans and returns excess cash generated from its business to stockholders. During fiscal 2008, Autodesk repurchased and retired 12.1 million shares at an average repurchase price of \$46.43 per share, 4.2 million shares in fiscal 2007 at an average repurchase price of \$36.79 per share, and 11.7 million shares in fiscal 2006 at an average repurchase price of \$38.10 per share. Because Autodesk was not current with its reporting obligations under the Securities Exchange Act of 1934 due to its voluntary review of its stock option grant practices, there were no repurchases of Autodesk common stock during the first quarter of fiscal 2008 or during the second half of fiscal 2007.

Between November 1999 and December 2004, the Board of Directors approved several plans to repurchase up to a total of 144.0 million shares of Autodesk common stock. In December 2007, the Board of Directors approved a plan to repurchase an additional 20.0 million shares of Autodesk common stock. Of the total 164.0 million shares approved for repurchase, 139.9 million shares had been repurchased and retired, and 24.1 million shares remained available for repurchase under this program as of January 31, 2008. In fiscal 2008, 2007, and 2006, Autodesk repurchased its common stock through open market purchases. The number of shares acquired and the timing of the purchases are based on several factors, including general market conditions, the trading price of Autodesk common stock and cash on hand and available.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 8. Interest and Other Income, net**

Interest and other income, net, consists of the following:

|  | Fiscal Year Ended<br>January 31, |         |         |
|--|----------------------------------|---------|---------|
|  | 2008                             | 2007    | 2006    |
| Interest and investment income, net                  | \$ 33.4                          | \$ 18.6 | \$ 13.2 |
| Loss on cost method investment                       | (5.0)                            |         |         |
| Investment impairment                                | (4.0)                            |         |         |
| Loss from unconsolidated subsidiary                  | (3.4)                            | (4.3)   |         |
| Recovery of funds from an acquisition escrow account |                                  | 2.2     |         |
| Gain (loss) on foreign currency transactions         | 0.1                              | (0.3)   | (0.7)   |
| Other income   | 3.3                              | 0.6     | 0.7     |
|  | \$ 24.4                          | \$ 16.8 | \$ 13.2 |

**Note 9. Comprehensive Income**

The components of other comprehensive income, net of taxes, were as follows:

|   | January 31,     |                 |                 |
|---|-----------------|-----------------|-----------------|
|   | 2008            | 2007            | 2006            |
| Net income  | \$ 356.2        | \$ 289.7        | \$ 333.6        |
| Net unrealized gains on available-for-sale securities:  |                 |                 |                 |
| Change in unrealized loss on available-for-sale securities, net of tax benefit of \$0.2 million in 2008 | (0.4)           |                 |                 |
| Net change in cumulative foreign currency translation adjustment  | 17.8            | 3.8             | (4.6)           |
| <b>Total comprehensive income</b>   | <b>\$ 373.6</b> | <b>\$ 293.5</b> | <b>\$ 329.0</b> |

Accumulated other comprehensive loss, net of taxes, was comprised of foreign currency translation adjustments of \$13.8 million, \$3.6 million and \$7.4 million at January 31, 2008, 2007 and 2006, respectively.

**Note 10. Net Income Per Share**

The following table sets forth the computation of the numerators and denominators used in the basic and diluted net income per share amounts:

|   | Fiscal Year Ended January 31, |          |          |
|---|-------------------------------|----------|----------|
|   | 2008                          | 2007     | 2006     |
| Numerator:  |                               |          |          |
| Numerator for basic and diluted net income per share net income | \$ 356.2                      | \$ 289.7 | \$ 333.6 |

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|   |                         |       |       |       |
|---|-------------------------|-------|-------|-------|
| Denominator:                                  |                         |       |       |       |
| Denominator for basic net income per share    | weighted average shares | 230.3 | 230.7 | 229.0 |
| Effect of dilutive common stock options       |                         | 11.7  | 12.5  | 18.5  |
| Denominator for dilutive net income per share |                         | 242.0 | 243.2 | 247.5 |

74

**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The computation of diluted net income per share does not include 6.8 million shares for fiscal 2008, 8.3 million shares for fiscal 2007 and 0.2 million shares for fiscal 2006 of common stock underlying stock options whose exercise price was above the closing market price of Autodesk's common stock on the last day of the period. These shares were excluded in the computation of basic and diluted net income per share because they were anti-dilutive under the treasury stock method, in accordance with the FASB's Statement of Financial Accounting Standards No. 128, Earnings per Share.

**Note 11. Segments**

Autodesk's operating results are aggregated into two reportable segments: the Design Solutions Segment and the Media and Entertainment Segment. The Location Services Division, which is not included in either reportable segment, is reflected as Other. Autodesk has no material inter-segment revenue.

The Design Solutions Segment derives revenue from the sale of software products and services for professionals and consumers who design, build, own and manage building projects, manufactured goods and infrastructure projects for both public and private users. The Design Solutions Segment consists of a general design platform division and emerging business division and industry-specific business divisions. These are: Platform Solutions and Emerging Business Division and Other; Architecture, Engineering and Construction Division; and Manufacturing Solutions Division.

The Media and Entertainment Segment derives revenue from the sale of products to post-production facilities, broadcasters, creative professionals and design users for a variety of applications, including feature films, television programs, commercials, music and corporate videos, interactive game production, design visualization, Web design and interactive Web streaming. The Media and Entertainment Segment is comprised of two business lines: Animation, including design visualization, and Advanced Systems. Animation products provide advanced tools for design visualization, digital prototyping, animation, rendering solutions and visual effects production. Advanced Systems products increase the productivity of creative professionals by providing color grading, editing, finishing and visual effects, compositing, media mastering and encoding technology.

Both reportable segments distribute their respective products primarily through authorized resellers and distributors and, to a lesser extent, through direct sales to end-users.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The accounting policies of the reportable segments are the same as those described in Note 1, Business and Summary of Significant Accounting Policies. Autodesk evaluates each segment's performance on the basis of income from operations before income taxes. Autodesk currently does not separately accumulate and report asset information by segment, except for goodwill, which is disclosed in Note 1, Business and Summary of Significant Accounting Policies. Information concerning the operations of Autodesk's reportable segments is as follows:

|                                       | Fiscal year ended January 31, |                   |                   |
|---------------------------------------|-------------------------------|-------------------|-------------------|
|                                       | 2008                          | 2007              | 2006              |
| <b>Net revenue:</b>                   |                               |                   |                   |
| Design Solutions                      | \$ 1,895.1                    | \$ 1,594.6        | \$ 1,344.5        |
| Media and Entertainment               | 258.6                         | 234.6             | 172.3             |
| Other(1)                              | 18.2                          | 10.6              | 20.4              |
|                                       | <b>\$ 2,171.9</b>             | <b>\$ 1,839.8</b> | <b>\$ 1,537.2</b> |
| <b>Income from operations:</b>        |                               |                   |                   |
| Design Solutions                      | \$ 814.0                      | \$ 687.5          | \$ 646.6          |
| Media and Entertainment               | 90.6                          | 56.4              | 33.0              |
| Unallocated amounts(2)(3)             | (459.0)                       | (394.2)           | (301.1)           |
|                                       | <b>\$ 445.6</b>               | <b>\$ 349.7</b>   | <b>\$ 378.5</b>   |
| <b>Depreciation and amortization:</b> |                               |                   |                   |
| Design Solutions                      | \$ 18.6                       | \$ 18.2           | \$ 18.0           |
| Media and Entertainment               | 3.1                           | 3.1               | 3.3               |
| Unallocated amounts                   | 39.6                          | 32.2              | 22.4              |
|                                       | <b>\$ 61.3</b>                | <b>\$ 53.5</b>    | <b>\$ 43.7</b>    |

- (1) Other primarily consists of revenue from Autodesk's Location Services Division.
- (2) During the third quarter of fiscal 2008, Autodesk made a reclassification of shipping and distribution expenses from unallocated amounts to the Design Solutions Segment. Accordingly, this reclassification was also made to previously reported fiscal 2007 amounts to conform to the current presentation, which reduced the Design Solutions Segment operating income by \$49.1 million in fiscal 2007; there was no impact in fiscal 2006.
- (3) Unallocated amounts primarily relate to corporate expenses and other costs and expenses that are managed outside the reportable segments, including expense from stock-based compensation recorded under SFAS 123R.

Net revenue attributable to the major divisions within the Design Solutions Segment is as follows:

|   | Fiscal year ended January 31, |          |          |
|---|-------------------------------|----------|----------|
|   | 2008                          | 2007     | 2006     |
| <b>Net revenue:</b>   |                               |          |          |
| Platform Solutions and Emerging Business Division and Other | \$ 997.1                      | \$ 878.9 | \$ 803.3 |
| Architecture, Engineering and Construction Division         | 480.0                         | 382.4    | 284.3    |
| Manufacturing Solutions Division                            | 418.0                         | 333.3    | 256.9    |

|            |            |            |
|------------|------------|------------|
| \$ 1,895.1 | \$ 1,594.6 | \$ 1,344.5 |
|------------|------------|------------|



**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Information regarding Autodesk's operations by geographic area is as follows:

|                                | Fiscal year ended January 31, |            |            |
|--------------------------------|-------------------------------|------------|------------|
|                                | 2008                          | 2007       | 2006       |
| Net revenue:                   |                               |            |            |
| U.S.                           | \$ 682.0                      | \$ 617.3   | \$ 528.6   |
| Other Americas                 | 121.5                         | 117.2      | 94.6       |
| Total Americas                 | 803.5                         | 734.5      | 623.2      |
| Europe, Middle East and Africa | 875.5                         | 687.5      | 558.2      |
| Asia/Pacific                   | 492.9                         | 417.8      | 355.8      |
| Total net revenue              | \$ 2,171.9                    | \$ 1,839.8 | \$ 1,537.2 |

|                                      | January 31, |          |
|--------------------------------------|-------------|----------|
|                                      | 2008        | 2007     |
| Long lived assets:(1)                |             |          |
| U.S. operations                      | \$ 349.3    | \$ 266.4 |
| Other Americas                       | 102.1       | 102.1    |
| Total Americas                       | 451.4       | 368.5    |
| Neuchâtel, Switzerland               | 40.0        | 40.9     |
| Other Europe, Middle East and Africa | 700.5       | 603.9    |
| Total Europe, Middle East and Africa | 740.5       | 644.8    |
| Asia/Pacific                         | 36.4        | 25.2     |
| Consolidating eliminations           | (560.9)     | (490.5)  |
| Total long-lived assets              | \$ 667.4    | \$ 548.0 |

(1) Long-lived assets exclude deferred tax assets and marketable securities.

**Note 12. Financial Instruments***Fair Values of Financial Instruments*

Market values were determined for each individual security in the investment portfolio. The carrying amounts and fair value of Autodesk's financial instruments are as follows:

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|                                   | January 31, 2008 |            | January 31, 2007 |            |
|-----------------------------------|------------------|------------|------------------|------------|
|                                   | Cost             | Fair Value | Cost             | Fair Value |
| Cash and cash equivalents         | \$ 917.9         | \$ 917.9   | \$ 665.9         | \$ 665.9   |
| Marketable securities short-term  | 31.4             | 31.4       | 112.0            | 112.0      |
| Marketable securities long-term   | 9.0              | 8.4        |                  |            |
| Foreign currency option contracts | 0.2              | 0.2        | 0.1              | 0.1        |

77

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**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Forwards and Options*

Under its risk management strategy, Autodesk uses derivative instruments to manage its short-term exposures to fluctuations in foreign currency exchange rates which exist as part of ongoing business operations. Autodesk's general practice is to use forward and option contracts to hedge a majority of transaction exposures denominated in euros, Swiss francs, Canadian dollars, British pounds and Japanese yen. These foreign currency instruments have maturities of less than three months. Autodesk does not enter into any foreign exchange derivative instruments for trading or speculative purposes.

Autodesk's forward contracts, which are not designated as hedging instruments under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, (SFAS 133), are used to reduce the exchange rate risk associated primarily with receivables and payables. Forward contracts are marked-to-market at the end of each reporting period, with gains and losses recognized as other income or expense to offset the gains or losses resulting from the settlement of the underlying foreign currency denominated receivables and payables. The notional amounts of foreign currency contracts were \$66.9 million at January 31, 2008 and \$65.5 million at January 31, 2007. While the contract or notional amount is often used to express the volume of foreign exchange contracts, the amounts potentially subject to credit risk are generally limited to the amounts, if any, by which the counterparties' obligations under the agreements exceed the obligations of Autodesk to the counterparties.

In addition to the forward contracts, Autodesk utilizes foreign currency option collar contracts to reduce the exchange rate impact on a portion of the net revenue of certain anticipated transactions. These option contracts are designated and documented as cash flow hedges and qualify for hedge accounting treatment under SFAS 133. For cash flow hedges, derivative gains and losses included in comprehensive income are reclassified into earnings at the time the forecasted revenue is recognized or the option expires. The cost of these foreign currency option collars is recorded as other current assets and other accrued liabilities on the Company's Consolidated Balance Sheets. The notional amounts of foreign currency option contracts were \$131.8 million at January 31, 2008 and \$97.3 million at January 31, 2007, and the critical terms were generally the same as those of the underlying exposure. Gains, if any, from the effective portion of the option contracts, as determinable under SFAS 133, are recognized as net revenue, while the ineffective portion of the option contract is recorded in interest and other income, net. There were \$0.2 million net settlement gains recorded as net revenue during fiscal 2008 and fiscal 2007, respectively. Amounts associated with the cost of the options, which were recorded in interest and other income, net, totaled \$0.7 million during fiscal 2008 and \$0.6 million during fiscal 2007.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Marketable Securities*

Marketable securities include the following available-for-sale securities at January 31, 2008 and 2007:

|                                 | Cost    | January 31, 2008       |                         | Estimated Fair Value |
|---------------------------------|---------|------------------------|-------------------------|----------------------|
|                                 |         | Gross unrealized gains | Gross unrealized losses |                      |
| <b>Short-term:</b>              |         |                        |                         |                      |
| Mutual funds                    | \$ 26.7 | \$                     | \$                      | \$ 26.7              |
| Bank time deposits              | 4.7     |                        |                         | 4.7                  |
|                                 | \$ 31.4 | \$                     | \$                      | \$ 31.4              |
| <b>Long-term:</b>               |         |                        |                         |                      |
| Taxable auction-rate securities | \$ 9.0  | \$                     | \$ (0.6)                | \$ 8.4               |
|                                 | \$ 9.0  | \$                     | \$ (0.6)                | \$ 8.4               |

|                                 | Cost     | January 31, 2007       |                         | Estimated Fair Value |
|---------------------------------|----------|------------------------|-------------------------|----------------------|
|                                 |          | Gross unrealized gains | Gross unrealized losses |                      |
| <b>Short-term:</b>              |          |                        |                         |                      |
| Mutual funds                    | \$ 14.7  | \$                     | \$                      | \$ 14.7              |
| Taxable auction-rate securities | 94.5     |                        |                         | 94.5                 |
| Bank time deposits              | 2.8      |                        |                         | 2.8                  |
|                                 | \$ 112.0 | \$                     | \$                      | \$ 112.0             |

The sales of available-for-sale securities in fiscal 2008, 2007 and 2006 resulted in no gross gains or losses. The cost of securities sold is based on the specific identification method. Proceeds from the sale and maturity of marketable securities were \$799.1 million in fiscal 2008, \$325.2 million in fiscal 2007 and \$204.0 million in fiscal 2006.

The following table shows the gross unrealized losses and fair value of Autodesk's investments with unrealized losses that are deemed not to be other-than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at January 31, 2008.

| Description of Securities       | Less Than 12 Months |                   | 12 Months or Greater |                   | Total      |                   |
|---------------------------------|---------------------|-------------------|----------------------|-------------------|------------|-------------------|
|                                 | Fair Value          | Unrealized Losses | Fair Value           | Unrealized Losses | Fair Value | Unrealized Losses |
| Taxable auction-rate securities | \$ 8.4              | \$ 0.6            | \$                   | \$                | \$ 8.4     | \$ 0.6            |

At January 31, 2008, Autodesk's investment portfolio included two auction rate securities with an estimated fair value of \$8.4 million (\$9.0 million cost basis). Autodesk's auction rate securities are variable rate debt instruments that have underlying securities with contractual maturities

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greater than ten years and interest rates that are reset at auction every 28 days. These AAA-rated auction rate securities, which met Autodesk's investment guidelines at the time the investments were made, have failed to settle in auctions since August 2007. The failed auctions resulted in the interest rate on these investments resetting at Libor plus 125 basis points, which represents a premium interest rate on these investments. At this time, these investments are not currently

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

liquid, and in the event Autodesk needs to access these funds, the Company will not be able to do so without a loss of principal unless a future auction on these investments is successful. Autodesk has reduced the carrying value of these investments by \$0.6 million, \$0.4 million net of tax, through other comprehensive income or loss to reflect a temporary impairment on these securities. Currently, Autodesk believes these investments are not other-than-temporarily impaired, but it is not clear in what period of time they will be settled. Based on its ability to access its cash and other short-term investments, its expected operating cash flows and its other sources of cash, Autodesk has the intention and ability to hold the securities until the value recovers or to maturity. The Company will continue to evaluate its accounting for these investments quarterly.

**Note 13. Business Combinations**

The following acquisitions were accounted for under Statement of Financial Accounting Standards No. 141, Business Combinations ( SFAS 141 ). Accordingly, the results of operations of each acquisition are included in the accompanying Consolidated Statements of Income since the acquisition dates, and the related assets and liabilities were recorded based upon their relative fair values at their respective acquisition dates. Pro forma financial information has been presented for the Alias acquisition. Pro forma financial information for the other acquired entities has not been presented, as their historical operations were not material to Autodesk's consolidated financial statements either individually or in the aggregate.

**Robobat**

In January 2008, Autodesk acquired Robobat S.A ( Robobat ), a privately held company headquartered in Grenoble, France. The acquisition was valued at \$42.5 million. The acquisition closed on January 14, 2008 and is being incorporated into the Architecture, Engineering and Construction ( AEC ) division of the Design Solutions Segment. Integration is expected to be completed in the second quarter of fiscal 2009.

The addition of Robobat technology will enable Autodesk to develop structural analysis and detailing solutions that leverage the information at the heart of building information modeling ( BIM ) from design to fabrication. It also complements Autodesk's current structural engineering software offerings and will help Autodesk provide a more complete set of well integrated solutions to the structural engineering industry.

Management's preliminary allocation of the purchase price consideration, based on a valuation of acquired assets and liabilities, is as follows:

|   |         |
|---|---------|
| <b>Robobat:</b>                             |         |
| Developed technologies (5 year useful life) | \$ 8.6  |
| Customer relationships (6 year useful life) | 9.9     |
| In-process research and development         | 1.8     |
| Goodwill                                    | 25.9    |
| Deferred revenue                            | (0.7)   |
| Restructuring reserve                       | (0.9)   |
| Net tangible assets                         | (2.1)   |
|   | \$ 42.5 |

In-process research and development represents incomplete Robobat research and development projects that had not reached technological feasibility and had no alternative future use as of the acquisition date and was recorded during fiscal 2008 in research and development on the Consolidated Statement of Income.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Customer relationships represent the underlying relationships with Robobat's existing customers. Goodwill represents the excess of the purchase price over the fair value of the acquired net tangible and intangible assets, and is deductible for tax purposes. Deferred revenue represents the estimated fair value of the support and maintenance obligations assumed from Robobat in connection with this acquisition. Autodesk estimates that these support and maintenance obligations will be substantially fulfilled by the end of fiscal 2009. Autodesk management approved a restructuring plan directly resulting from the Robobat acquisition and involving the elimination of employees of Robobat ( Robobat Restructuring Plan ). The total restructuring reserve established for this plan was reflected as an allocation item in the total purchase price consideration of the acquisition. The Robobat Restructuring Plan was established in accordance with Emerging Issues Task Force Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* ( EITF 95-3 ). The total estimated cost of the Robobat Restructuring Plan was \$0.9 million for severance and outplacement costs.

**NavisWorks**

In June 2007, Autodesk acquired NavisWorks (UK) Limited ( NavisWorks ), a privately-held company, for cash consideration of approximately \$26.0 million and a note payable of \$2.6 million due in June 2008. Autodesk incorporated NavisWorks into the Architecture, Engineering and Construction Division of the Design Solutions Segment. NavisWorks provides 3D coordination, collaboration and sequencing in design and construction. This acquisition is intended to increase the interoperability of Autodesk's 3D model-based design software by coordinating design information from multiple sources.

Management's preliminary allocation of the purchase price consideration, based on a valuation of the acquired assets and liabilities, is as follows:

|   |         |
|---|---------|
| <b>NavisWorks:</b>                          |         |
| Developed technologies (6 year useful life) | \$ 6.5  |
| Customer relationships (6 year useful life) | 5.5     |
| Trade name (6 year useful life)             | 0.6     |
| In-process research and development         | 1.0     |
| Goodwill                                    | 9.3     |
| Deferred revenue                            | (1.1)   |
| Net tangible assets                         | 7.3     |
|   | \$ 29.1 |

In-process research and development represents incomplete NavisWorks research and development projects that had not reached technological feasibility and had no alternative future use as of the acquisition date, and was recorded during the second quarter of fiscal 2008 in research and development on the Consolidated Statement of Income.

Customer relationships represent the underlying relationships and agreements with NavisWorks' existing customers. Trade name represents the estimated fair value of NavisWorks' trade name and trademarks. The \$9.3 million of goodwill, which represents the excess of the purchase price over the fair value of the acquired net tangible and intangible assets, is deductible for tax purposes. Deferred revenue represents the estimated fair value of the support and maintenance obligations assumed from NavisWorks in connection with this acquisition. Autodesk estimates that these support and maintenance obligations will be substantially fulfilled by the beginning of fiscal 2009.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Emerging Solutions, Inc. ( Constructware )***

In March 2006, Autodesk acquired Constructware, a privately-held company, for cash consideration of approximately \$45.7 million. Autodesk incorporated Constructware's collaborative technology solutions into the Architecture, Engineering and Construction Division of the Design Solutions Segment. This acquisition provides on-demand communication and collaboration solutions and is intended to enable Autodesk to rapidly expand its Buzzsaw collaborative project management solution with Constructware's cost, bid and risk management capabilities.

Management's allocation of the purchase price, based on a valuation of acquired assets and liabilities, is as follows:

|   |                |
|---|----------------|
| <b>Constructware:</b>                       |                |
| Developed technologies (6 year useful life) | \$ 5.1         |
| Customer relationships (7 year useful life) | 13.0           |
| Customer contracts (7 year useful life)     | 1.1            |
| Trade name (6 year useful life)             | 0.9            |
| Goodwill                                    | 35.9           |
| Deferred revenue                            | (5.1)          |
| Restructuring reserve                       | (0.4)          |
| Net tangible assets                         | (4.8)          |
|   | <b>\$ 45.7</b> |

Customer relationships and customer contracts represent the underlying relationships and agreements with Constructware's existing customers. Trade name represents the estimated fair value of the Constructware trade name and trademarks.

The \$35.9 million of goodwill, which represents the excess of the purchase price over the fair value of the acquired net tangible and intangible assets, is not deductible for tax purposes. Deferred revenue represents the estimated fair value of the support and maintenance obligations assumed from Constructware in connection with this acquisition. Autodesk estimates that these support and maintenance obligations will be substantially fulfilled by fiscal 2010.

***Alias Systems Holdings, Inc. ( Alias )***

In January 2006, Autodesk acquired Alias Systems Holdings, Inc., a privately held developer of 3D graphics technology for total cash consideration of \$196.8 million. In addition, Autodesk also assumed all outstanding unvested options to purchase shares of Alias common stock, which converted into options to purchase 198,405 shares of Autodesk common stock. The fair value of these stock options of \$8.1 million increased the total purchase price consideration. The intrinsic value of these options, which relates to future services, was \$8.2 million and was originally recorded as deferred compensation within stockholders' equity. Deferred compensation was written off upon the company's adoption of FAS 123R in fiscal 2007.

The acquisition was integrated into the Manufacturing Solutions Divisions of the Design Solutions Segment and into the Media and Entertainment Segment.



**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Management's allocation of the purchase price, based on a valuation of acquired assets and liabilities, is as follows:

|   |          |
|---|----------|
| <b>Alias:</b>                               |          |
| Developed technologies (6 year useful life) | \$ 34.8  |
| Customer relationships (7 year useful life) | 29.8     |
| Trade name (6 year useful life)             | 8.1      |
| In-process research and development         | 7.9      |
| Goodwill                                    | 132.5    |
| Deferred revenue                            | (5.1)    |
| Net tangible assets                         | (0.1)    |
| Restructuring reserve                       | (9.4)    |
|   | \$ 198.5 |

In-process research and development represents incomplete Alias research and development projects that had not reached technological feasibility and had no alternative future use as of the acquisition date and was recorded during fiscal 2006 as research and development expense on the Consolidated Statement of Income.

Customer relationships represent the underlying relationships and agreements with Alias's existing customers. Trade name represents the estimated fair value of the Alias trade name and trademarks. The \$132.5 million of goodwill, the majority of which is not deductible for tax purposes, was assigned to the Media and Entertainment Segment (\$79.5 million) and to the Manufacturing Solutions Division of the Design Solutions Segment (\$53.0 million). During the second quarter of fiscal year 2007, Autodesk recorded an increase to goodwill of \$11.5 million primarily related to an increase in deferred tax liabilities for book/tax intangible asset basis differences. During the third quarter of fiscal 2007, Autodesk recorded a reduction to goodwill of \$1.7 million because actual costs incurred under the Alias Restructuring Plan was less than what the Company originally estimated at the time the acquisition was recorded. Goodwill represents excess of the purchase price over the fair value of the acquired net tangible and intangible assets.

The deferred revenue amount of \$5.1 million represents the estimated fair value of the support obligations assumed from Alias in connection with this acquisition. As a result of the fair value determination in accordance with SFAS 141, Autodesk recorded an adjustment to reduce the carrying value of Alias's deferred revenue balance at the acquisition date by \$12.0 million to \$5.1 million. The support obligations assumed from Alias were fulfilled by the middle of fiscal 2008.

Autodesk management approved a restructuring plan directly resulting from the Alias acquisition and involving the elimination of employee positions, facilities and fixed assets of Alias ( Alias Restructuring Plan ). The total restructuring reserve established for this plan was reflected as an allocation item in the total purchase price consideration of the Alias acquisition. The Alias Restructuring Plan was established in accordance with EITF 95-3, and the total estimated cost of the Alias Restructuring Plan was originally \$11.1 million. This plan involved termination of approximately 130 positions worldwide at an estimated cost for severance and outplacement of approximately \$8.8 million. In addition, this plan also involves costs associated with exiting leased facilities and abandonment of certain assets of approximately \$2.3 million. Autodesk completed the integration of Alias during the second quarter of fiscal 2007.

The following unaudited pro forma financial information summarizes the combined results of operations of Autodesk and Alias, on a pro forma basis, as though the companies had been combined as of the beginning of each of the periods presented. The pro forma financial information is presented for informational purposes only.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of each of the periods presented. The unaudited pro forma financial information in fiscal 2006 combines the historical financial results of Autodesk for the year ended January 31, 2006 and the historical financial results of Alias for the period from February 1, 2005 to January 9, 2006. Autodesk's Consolidated Statements of Income for fiscal year 2006 include Alias' financial results for the period from the acquisition date, January 10, 2006, through January 31, 2006. The pro forma financial information presented includes the business combination accounting effects of amortization charges from acquired intangible assets, stock-based compensation charges for unvested options assumed, an adjustment to reduce the carrying value of Alias' deferred balance, adjustments to depreciation on acquired property and related tax effects.

|                              | <b>Fiscal Year Ended<br/>January 31, 2006<br/>(unaudited)</b> |
|------------------------------|---|
| Total net revenues           | \$ 1,632.2  |
| Net income                   | 329.4   |
| Basic net income per share   | 1.44  |
| Diluted net income per share | 1.33  |

**Other Acquisitions**

In addition, during the year ended January 31, 2008, Autodesk completed seven other acquisitions, including Hanna Strategies Holdings, Inc. (Hanna Strategies), for approximately \$83.7 million, net of cash acquired. Management's preliminary allocation of the purchase price consideration, based on a valuation of the acquired assets and liabilities, is as follows:

| <b>Other Acquisitions:</b>                          |                |
|---|----------------|
| Developed technologies (2.5 - 6.5 year useful life) | \$ 12.8        |
| Customer relationships (5.0 - 8.5 year useful life) | 6.6            |
| Trade name (2.5 - 4.0 year useful life)             | 0.5            |
| In-process research and development                 | 2.7            |
| Goodwill  | 50.3           |
| Net tangible assets                                 | 10.8           |
|   | <b>\$ 83.7</b> |

In-process research and development represents incomplete research and development projects that had not reached technological feasibility and had no alternative future use as of the acquisition date. The total in-process research and development amount was recorded during fiscal 2008 in research and development on the Consolidated Statement of Income.

Customer relationships represent the underlying relationships and agreements with the acquirees' existing customers. Trade name represents the estimated fair value of the acquirees' trade names and trademarks. The \$50.3 million of goodwill, which represents the excess of the purchase price over the fair value of the acquired net tangible and intangible assets, is deductible for tax purposes.

Autodesk has not identified any material pre-acquisition contingencies where a liability is probable and the amount of the liability can be reasonably estimated. If information becomes available prior to the end of the purchase price allocation period that would indicate that such a liability is probable and that the amounts can be reasonably estimated, such liability would be included as an adjustment to the purchase price allocation.



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**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Autodesk's acquisitions are accounted for under Statement of Financial Accounting Standards No. 141, Business Combinations. Accordingly, the results of operations are included in the accompanying Consolidated Statements of Income since the acquisition date, and the related assets and liabilities were recorded based upon their fair values at the date of acquisition. Pro forma financial information has not been presented as their historical operations were not material to Autodesk's Consolidated Financial Statements.

**Note 14. Related Parties**

In April 2006, Autodesk acquired a 28% ownership in Hanna Strategies, a privately-held software development firm with operations in the U.S. and China, for cash consideration of \$12.5 million. Autodesk also acquired an option to purchase the remaining 72% of Hanna Strategies at a price that approximates fair value. In January 2008, Autodesk acquired the remaining 72% of Hanna Strategies for \$13.5 million, net of cash acquired. The original investment was accounted for under Accounting Principles Board Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock and Financial Accounting Standards Board Interpretation No. 35, Criteria for Applying the Equity Method of Accounting for Investments in Common Stock. Accordingly, the carrying value of the investment was included in the Consolidated Balance Sheets under Other assets and was adjusted by Autodesk's ownership percentage of Hanna Strategies' results of operations and after the elimination of intercompany profit or loss.

Beginning from the date of Autodesk's initial 28% investment in Hanna Strategies in April 2006, through January 2, 2008, when Autodesk acquired the remaining 72% ownership interest, the Consolidated Statements of Income include 28% of Hanna Strategies' operating expenses in Interest and other income, net; see Note 8, Interest and Other Income, net. Autodesk incurred approximately \$38.3 million during fiscal 2008, \$26.7 million during fiscal 2007, and \$27.0 million during fiscal 2006 for consulting services and purchased in-process technology from Hanna Strategies, which were included in Research and Development. The in-process technologies purchased were recorded as expense as of the date the technologies were delivered as they had not yet reached technological feasibility and had no alternative future use as stand-alone products.

Effective with the acquisition of the remaining 72% ownership interest of Hanna Strategies, Autodesk consolidated Hanna Strategies and accounted for the acquisition as a step acquisition in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. Autodesk has incorporated the business of Hanna Strategies into its Design Solutions segment.

**Table of Contents****AUTODESK, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 15. Quarterly Financial Information (Unaudited)**

Summarized quarterly financial information for fiscal 2008 and 2007 is as follows:

| <b>2008</b>  | <b>1st<br/>quarter</b> | <b>2nd<br/>quarter</b> | <b>3rd<br/>quarter</b> | <b>4th<br/>quarter</b> | <b>Fiscal<br/>year</b> |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Net revenue:</b>  |                        |                        |                        |                        |                        |
| License and other  | \$ 383.2               | \$ 393.6               | \$ 395.8               | \$ 446.0               | \$ 1,618.6             |
| Maintenance  | 125.3                  | 132.3                  | 142.6                  | 153.1                  | 553.3                  |
| <b>Total net revenue</b>                                     | <b>508.5</b>           | <b>525.9</b>           | <b>538.4</b>           | <b>599.1</b>           | <b>2,171.9</b>         |
| <b>Costs and expenses:</b>                                   |                        |                        |                        |                        |                        |
| Cost of license and other revenue                            | 50.4                   | 49.6                   | 49.7                   | 48.6                   | 198.3                  |
| Cost of maintenance revenue                                  | 2.2                    | 2.3                    | 1.9                    | 2.2                    | 8.6                    |
| Marketing and sales  | 192.5                  | 198.8                  | 208.9                  | 242.5                  | 842.7                  |
| Research and development                                     | 114.7                  | 114.9                  | 123.2                  | 132.5                  | 485.3                  |
| General and administrative                                   | 47.3                   | 45.8                   | 49.1                   | 49.2                   | 191.4                  |
| <b>Total costs and expenses</b>                              | <b>407.1</b>           | <b>411.4</b>           | <b>432.8</b>           | <b>475.0</b>           | <b>1,726.3</b>         |
| Income from operations                                       | 101.4                  | 114.5                  | 105.6                  | 124.1                  | 445.6                  |
| Interest and other income, net                               | 9.8                    | 3.4                    | 4.4                    | 6.8                    | 24.4                   |
| Income before income taxes                                   | 111.2                  | 117.9                  | 110.0                  | 130.9                  | 470.0                  |
| Income tax (provision) benefit                               | (27.9)                 | (26.3)                 | (25.2)                 | (34.4)                 | (113.8)                |
| <b>Net income</b>  | <b>\$ 83.3</b>         | <b>\$ 91.6</b>         | <b>\$ 84.8</b>         | <b>\$ 96.5</b>         | <b>\$ 356.2</b>        |
| <b>Basic net income per share</b>                            | <b>\$ 0.36</b>         | <b>\$ 0.40</b>         | <b>\$ 0.37</b>         | <b>\$ 0.42</b>         | <b>\$ 1.55</b>         |
| <b>Diluted net income per share</b>                          | <b>\$ 0.34</b>         | <b>\$ 0.38</b>         | <b>\$ 0.35</b>         | <b>\$ 0.40</b>         | <b>\$ 1.47</b>         |
| <b>Shares used in computing basic net income per share</b>   | <b>231.2</b>           | <b>230.3</b>           | <b>229.4</b>           | <b>230.2</b>           | <b>230.3</b>           |
| <b>Shares used in computing diluted net income per share</b> | <b>243.8</b>           | <b>243.0</b>           | <b>239.9</b>           | <b>239.4</b>           | <b>242.0</b>           |
| <b>2007</b>  |                        |                        |                        |                        |                        |
| <b>Net revenue:</b>  |                        |                        |                        |                        |                        |
| License and other  | \$ 349.4               | \$ 345.5               | \$ 346.3               | \$ 374.7               | \$ 1,415.9             |
| Maintenance  | 86.6                   | 104.1                  | 110.5                  | 122.7                  | 423.9                  |
| <b>Total net revenue</b>                                     | <b>436.0</b>           | <b>449.6</b>           | <b>456.8</b>           | <b>497.4</b>           | <b>1,839.8</b>         |
| <b>Costs and expenses:</b>                                   |                        |                        |                        |                        |                        |

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|   |              |              |              |              |                |
|---|--------------|--------------|--------------|--------------|----------------|
| Cost of license and other revenue                     | 47.5         | 53.6         | 54.5         | 52.3         | 207.9          |
| Cost of maintenance revenue                           | 2.4          | 2.2          | 1.8          | 2.3          | 8.7            |
| Marketing and sales                                   | 170.4        | 167.5        | 177.1        | 181.1        | 696.1          |
| Research and development                              | 99.4         | 98.0         | 108.9        | 100.0        | 406.3          |
| General and administrative                            | 57.0         | 26.2         | 45.9         | 42.0         | 171.1          |
| <b>Total costs and expenses</b>                       | <b>376.7</b> | <b>347.5</b> | <b>388.2</b> | <b>377.7</b> | <b>1,490.1</b> |
| Income from operations                                | 59.3         | 102.1        | 68.6         | 119.7        | 349.7          |
| Interest and other income, net                        | 3.5          | 2.8          | 6.0          | 4.5          | 16.8           |
| Income before income taxes                            | 62.8         | 104.9        | 74.6         | 124.2        | 366.5          |
| Income tax (provision) benefit                        | (14.3)       | (18.1)       | (16.6)       | (27.8)       | (76.8)         |
| Net income  | \$ 48.5      | \$ 86.8      | \$ 58.0      | \$ 96.4      | \$ 289.7       |
| Basic net income per share                            | \$ 0.21      | \$ 0.38      | \$ 0.25      | \$ 0.42      | \$ 1.26        |
| Diluted net income per share                          | \$ 0.20      | \$ 0.36      | \$ 0.24      | \$ 0.40      | \$ 1.19        |
| Shares used in computing basic net income per share   | 230.3        | 230.5        | 230.9        | 231.2        | 230.7          |
| Shares used in computing diluted net income per share | 244.7        | 243.1        | 242.0        | 243.9        | 243.2          |

**Table of Contents**

**AUTODESK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Results for the first, second, third and fourth quarters of fiscal 2008 include amortization of acquisition-related intangibles of \$4.0 million, \$5.1 million, \$8.0 million and \$8.6 million, respectively. During the first and fourth quarters of fiscal 2008, Autodesk recorded \$12.0 million and \$1.7 million, respectively, of employee tax expense related to its voluntary review of historical stock option grant practices. Autodesk also recognized an income tax benefit of \$2.1 million during the third quarter of fiscal 2008 from prior year audit closures.

Results for the first quarter of fiscal 2007 include expense of \$16.8 million resulting from an increase in a reserve for a potential loss contingency under Statement of Financial Accounting Standards No. 5, Accounting for Contingencies, related to a patent infringement lawsuit. During the second quarter, Autodesk reversed \$13.0 million of reserves previously accrued, as better information was obtained related to the loss contingency. In addition, results for the first, second, third and fourth quarters of fiscal 2007 also include amortization of acquisition-related intangibles of \$3.2 million, \$3.5 million, \$3.5 million and \$4.1 million, respectively. Autodesk reversed previously accrued income tax reserves and recognized a non-recurring income tax benefit of \$8.9 million during the second quarter of fiscal 2007 as a result of the conclusion of a review by the Internal Revenue Service. Autodesk also recognized an income tax benefit of \$5.6 million during the fourth quarter of fiscal 2007 from the reinstatement of the Federal research and development credit through the passage of the Tax Relief and Health Care Act of 2006 by Congress, which resulted in retroactive application of this credit to January 1, 2006.

**Table of Contents**

**REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of Autodesk, Inc.

We have audited the accompanying consolidated balance sheets of Autodesk, Inc., as of January 31, 2008 and 2007 and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended January 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Autodesk, Inc. at January 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1, Business and Summary of Significant Accounting Policies, and Note 3, Income Taxes, in the Notes to the Consolidated Financial Statements, Autodesk, Inc. changed its method of accounting for stock-based compensation as of February 1, 2006, and its method of accounting for uncertain tax positions as of February 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Autodesk, Inc.'s internal control over financial reporting as of January 31, 2008 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 27, 2008 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California

March 27, 2008



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**Table of Contents**

**REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of Autodesk, Inc.

We have audited Autodesk, Inc.'s internal control over financial reporting as of January 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Autodesk, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Autodesk, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Autodesk, Inc. as of January 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2008 of Autodesk, Inc. and our report dated March 27, 2008 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California

March 27, 2008

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**Table of Contents**

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**  
None.

**ITEM 9A. CONTROLS AND PROCEDURES**  
**Evaluation of Disclosure Controls and Procedures**

Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the reasonable assurance level to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (ii) is accumulated and communicated to Autodesk's management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the quarter ended January 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of January 31, 2008. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) in *Internal Control-Integrated Framework*. Our management has concluded that, as of January 31, 2008, our internal control over financial reporting is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our independent registered public accounting firm, Ernst & Young, LLP, has issued an audit report on our internal control over financial reporting, which is included in Item 8 herein.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Autodesk have been detected.

**ITEM 9B. OTHER INFORMATION**  
None.

**Table of Contents**

**PART III**

Certain information required by Part III is omitted from this Report because the Registrant will file a definitive proxy statement pursuant to Regulation 14A for Registrant's Annual Meeting of Stockholders to be held June 12, 2008, not later than 120 days after the end of the fiscal year covered by this Report (the Proxy Statement) and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement that specifically address the items set forth herein are incorporated by reference.

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this Item is incorporated herein by reference to the sections entitled Proposal One Election of Directors, Section 16(a) Beneficial Ownership Reporting Compliance, Corporate Governance Corporate Governance Guidelines and Code of Business Conduct and Corporate Governance Board Meetings and Board Committees in our Proxy Statement. Information regarding the Registrant's executive officers is set forth at the end of Item 1 of Part I of this Annual Report on Form 10-K under the caption Executive Officers of the Registrant.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item is incorporated herein by reference to the section entitled Executive Compensation, in our Proxy Statement.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item is incorporated herein by reference to the section entitled Security Ownership of Certain Beneficial Owners and Management, and Executive Compensation Equity Compensation Plan Information in our Proxy Statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item is incorporated herein by reference to the section entitled Certain Relationships and Related Party Transactions and Corporate Governance Independence of the Board of Directors in our Proxy Statement.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this Item is incorporated herein by reference to the sections entitled Proposal Two Principal Accounting Fees and Services, and Proposal Two Pre-Approval of Audit and Non-Audit Services in our Proxy Statement.

**Table of Contents****PART IV****ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this Report:

1. *Financial Statements*: The information concerning Autodesk's financial statements, and Report of Ernst & Young LLP, Independent Registered Public Accounting Firm required by this Item is incorporated by reference herein to the section of this Report in Item 8, entitled Financial Statements and Supplementary Data.

2. *Financial Statement Schedule*: The following financial statement schedule of Autodesk, Inc., for the fiscal years ended January 31, 2008, 2007 and 2006, is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements of Autodesk, Inc.

Schedule II Valuation and Qualifying Accounts

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

3. *Exhibits*: See Item 15(b) below. We have filed, or incorporated into this Report by reference, the exhibits listed on the accompanying Index to Exhibits immediately following the signature page of this Form 10-K.

(b) Exhibits:

We have filed, or incorporated into the Report by reference, the exhibits listed on the accompanying Index to Exhibits immediately following the signature page of this Form 10-K.

(c) Financial Statement Schedules: See Item 15(a), above.

**ITEM 15(A)(2) FINANCIAL STATEMENT SCHEDULE II**

| Description                               | Balance at Beginning of Year | Additions Charged to Costs and Expenses or Revenues | Deductions and Write-Offs | Balance at End of Year |
|---|------------------------------|---|---------------------------|------------------------|
| <b>Fiscal year ended January 31, 2008</b> |                              |   |                           |                        |
| Allowance for doubtful accounts           | \$ 9.9                       | \$ (0.6)  | \$ 1.5                    | \$ 7.8                 |
| Product returns reserves                  | 18.2                         | 46.8  | 50.6                      | 14.4                   |
| Restructuring                             | 6.0                          | 1.3   | 1.2                       | 6.1                    |
| <b>Fiscal year ended January 31, 2007</b> |                              |   |                           |                        |
| Allowance for doubtful accounts           | \$ 8.2                       | \$ 2.1  | \$ 0.4                    | \$ 9.9                 |
| Product returns reserves                  | 14.2                         | 57.1  | 53.1                      | 18.2                   |
| Restructuring                             | 13.5                         | 2.3   | 9.8                       | 6.0                    |
| <b>Fiscal year ended January 31, 2006</b> |                              |   |                           |                        |
| Allowance for doubtful accounts           | \$ 7.2                       | \$ 1.6  | \$ 0.6                    | \$ 8.2                 |
| Product returns reserves                  | 18.0                         | 38.3  | 42.1                      | 14.2                   |
| Restructuring                             | 13.1                         | 11.1  | 10.7                      | 13.5                   |

**Table of Contents**

**SIGNATURES**

**Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.**

**AUTODESK, INC.**

By:

/s/ CARL BASS  
**Carl Bass**

**Chief Executive Officer and President**

Dated: March 28, 2008

**Table of Contents****POWER OF ATTORNEY**

**KNOW ALL PERSONS BY THESE PRESENTS**, that each person whose signature appears below constitutes and appoints Carl Bass and Alfred J. Castino as his or her attorney-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

**Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities as of March 28, 2008.**

| Signature                     | Title  |
|-------------------------------|--|
| /s/ CARL BASS                 | Chief Executive  |
| <b>Carl Bass</b>              | Officer and President<br>(Principal Executive Officer) |
| /s/ ALFRED J. CASTINO         | Senior Vice President and Chief                        |
| <b>Alfred J. Castino</b>      | Financial Officer<br>(Principal Financial Officer)     |
| /s/ ANDREW D. MILLER          | Vice President and Chief Accounting Officer            |
| <b>Andrew D. Miller</b>       | (Principal Accounting Officer)                         |
| /s/ CAROL A. BARTZ            | Executive Chairman of the Board                        |
| <b>Carol A. Bartz</b>         |  |
| /s/ MARK A. BERTELSEN         | Director   |
| <b>Mark A. Bertelsen</b>      |  |
| /s/ CRAWFORD W. BEVERIDGE     | Director   |
| <b>Crawford W. Beveridge</b>  |  |
| /s/ J. HALLAM DAWSON          | Director   |
| <b>J. Hallam Dawson</b>       |  |
| /s/ MIKE FISTER               | Director   |
| <b>Mike Fister</b>            |  |
| /s/ PER-KRISTIAN HALVORSEN    | Director   |
| <b>Per-Kristian Halvorsen</b> |  |

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/s/ SEAN MALONEY Director

**Sean Maloney**

/s/ BETSEY NELSON Director

**Betsy Nelson**

/s/ CHUCK ROBEL Director

**Chuck Robel**

**Table of Contents**

| <b>Signature</b>                                  | <b>Title</b> |
|---|--------------|
| /s/ LARRY W. WANGBERG<br><b>Larry W. Wangberg</b> | Director     |
| /s/ STEVEN M. WEST<br><b>Steven M. West</b>       | Director     |



**Table of Contents****Index to Exhibits**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 2.1                | Agreement and Plan of Merger dated October 4, 2005 by and among Registrant, Maytag Acquisition Corporation, Alias Systems Holdings Inc., Accel-KKR Company, LLC and Ontario Teachers Pension Plan Board ( <i>incorporated by reference to Exhibit 2.1 filed with the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2005</i> ) |
| 3.1                | Amended and Restated Certificate of Incorporation of Registrant ( <i>incorporated by reference to Exhibit 3.1 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2006</i> )   |
| 3.2                | Bylaws of Registrant, as amended ( <i>incorporated by reference to Exhibit 3.1 filed with the Registrant's Current Report on Form 8-K filed on December 10, 2007</i> )  |
| 10.1*              | Registrant's 1996 Stock Plan ( <i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2005</i> )   |
| 10.2*              | Registrant's 1996 Stock Plan Forms of Agreement ( <i>incorporated by reference to Exhibit 10.5 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2005</i> )  |
| 10.3*              | Registrant's 1998 Employee Qualified Stock Purchase Plan, as amended ( <i>filed herewith</i> )  |
| 10.4*              | Registrant's 1998 Employee Qualified Stock Purchase Plan Forms of Agreement ( <i>incorporated by reference to Exhibit 10.2 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2005</i> )  |
| 10.5*              | Registrant's 2000 Directors' Option Plan ( <i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Current Report on Form 8-K filed on November 15, 2005</i> )   |
| 10.6*              | Registrant's 2000 Directors' Option Plan Forms of Agreements ( <i>incorporated by reference to Exhibit 10.6 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2006</i> )   |
| 10.7*              | Registrant's 2006 Employee Stock Plan ( <i>incorporated by reference to Exhibit 10.2 filed with the Registrant's Current Report on Form 8-K filed on November 15, 2005</i> )  |
| 10.8*              | Registrant's 2006 Employee Stock Plan Forms of Agreement ( <i>incorporated by reference to Exhibit 10.8 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2006 and Exhibit 10.1 filed with the Registrant's Current Report on Form 8-K filed on June 20, 2007</i> )  |
| 10.9*              | Text of amendment to certain stock option agreements ( <i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Current Report on Form 8-K filed on September 22, 2007</i> )  |
| 10.10*             | Form of Promise to make Cash Payment and Option Amendment (U.S. Employees) ( <i>incorporated by reference to Exhibit 99.1 filed with the Registrant's Current Report on Form 8-K filed on July 27, 2007</i> )   |
| 10.11*             | Form of Promise to make Cash Payment and Option Amendment (Canadian Employees) ( <i>incorporated by reference to Exhibit 99.2 filed with the Registrant's Current Report on Form 8-K filed on July 27, 2007</i> )   |
| 10.12*             | Executive Incentive Plan ( <i>incorporated by reference to Exhibit 10.13 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2006</i> )  |
| 10.13*             | Participants, target awards and payout formulas for fiscal year 2008 under the Registrant's Executive Incentive Plan ( <i>incorporated by reference to Item 5.02 of the Registrant's Current Report on Form 8-K filed on March 28, 2007</i> )   |

**Table of Contents**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 10.14*             | Registrant's 2005 Non-Qualified Deferred Compensation Plan ( <i>incorporated by reference to Exhibit 10.14 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2005</i> )  |
| 10.15*             | Executive Change in Control Program, as amended ( <i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Current Report on Form 8-K filed on April 6, 2006</i> )  |
| 10.16*             | Description of annual cash compensation paid to non-employee directors ( <i>incorporated by reference to Item 1.01 of the Registrant's Current Report on Form 8-K filed on June 14, 2006</i> )  |
| 10.17*             | Form of Indemnification Agreement executed by Autodesk and each of its officers and directors ( <i>incorporated by reference to Exhibit 10.8 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2005</i> )                  |
| 10.18*             | Employment Agreement between Registrant and Carol A. Bartz dated January 19, 2007 ( <i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Current Report on Form 8-K filed on January 25, 2007</i> )   |
| 10.19*             | Employment Agreement between Registrant and Carl Bass dated January 19, 2007 ( <i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Current Report on Form 8-K filed on December 20, 2006</i> )   |
| 10.20              | Office Lease between Registrant and the J.H.S. Trust for 111 McInnis Parkway, San Rafael, CA, as amended ( <i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2004</i> ) |
| 10.21              | Credit Agreement between Registrant and CITIBANK, N.A. dated as of August 30, 2005 ( <i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Current Report on Form 8-K filed on August 23, 2007</i> )   |
| 21.1               | List of Subsidiaries  |
| 23.1               | Consent of Independent Registered Public Accounting Firm (Ernst & Young LLP)  |
| 24.1               | Power of Attorney (contained in the signature page to this Annual Report)   |
| 31.1               | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934  |
| 31.2               | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934  |
| 32.1               | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   |

\* Denotes a management contract or compensatory plan or arrangement.