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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, 1997

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
- EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 0-14338

AUTODESK, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE 94-2819853  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) Identification No.)

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 -----
None	None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK, \$0.01 PAR VALUE  
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] 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. [ ]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sale price of the Common Stock on April 21, 1997 as reported on the Nasdaq National Market, was approximately \$1,117,000,000. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the 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.

As of April 21, 1997, Registrant had outstanding 47,660,000 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Stockholders for the fiscal year ended January 31, 1997 are incorporated by reference into Parts II and IV. Portions of the Proxy Statement for Registrant's 1997 Annual Meeting of Stockholders to be held June 26, 1997 are incorporated by reference in Part III.

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## FORWARD LOOKING INFORMATION

The forward-looking statements included in this report, which reflect management's best judgment based on factors currently known, involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements included herein as a result of a number of factors, including but not limited to those discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated by reference to pages 24 through 32 of the Company's 1997 Annual Report to Stockholders.

## ITEM 1. BUSINESS

## GENERAL

Autodesk, Inc. ("Autodesk" or the "Company") is a leader in the development and marketing of design and drafting software and multimedia tools, primarily for the business and professional environment. The Company's flagship product, AutoCAD, is one of the world's leading computer-aided design ("CAD") tools, with an installed base of more than 1.6 million units worldwide. The Company's software products are sold worldwide, primarily through a network of dealers and distributors.

In February 1995, the Company realigned its internal marketing and development organizations around the five key market groups that most closely match Autodesk's customer base. Each market group incorporates product development, quality assurance, technical publications, and product industry marketing. These market groups are discussed below.

Architecture, Engineering and Construction ("AEC"). The architecture, -----  
engineering, construction and facilities management industries utilize software from the Company and third-party developers to manage every phase of a building's life cycle--from conceptual design through construction, maintenance and renovation. CAD is an integral part of today's building design and construction process. The Company believes that the majority of its CAD sales are directed to the AEC industry.

Mechanical Computer-Aided Design ("MCAD"). The Company's Mechanical CAD -----  
Market Group is dedicated to providing mechanical engineers, designers and drafters with advanced, value-based software solutions that help solve their professional design challenges. Autodesk's MCAD products include Mechanical Desktop, AutoCAD Designer, and AutoSurf software.

Geographic Information Systems ("GIS"). The Company's GIS Market Group -----  
strategy is to provide easy-to-use mapping and GIS technology to help businesses and governments manage their assets and infrastructure. The GIS Market Group is assisting automated mapping/facilities managers, as well as GIS and CAD users, to share mapping, GIS, and associated information in a corporate environment. The Company's current GIS products include AutoCAD Map, Autodesk MapGuide, and AutoCAD Data Extension ("ADE").

Data Management ("DM"). The Data Management Market Group develops and -----  
markets products that allow users to organize, access, share, view, and manage design-related information. DM products offered by the Company include WorkCenter and Autodesk View.

Kinetix. The Kinetix division of Autodesk (formerly Autodesk's Multimedia -----  
Market Group) is devoted to bringing powerful 3D content-creation software to computer-industry professionals focused on film, video, interactive games, and design visualization. Products offered by this market group include 3D Studio MAX, 3D Studio, and AutoVision.

In addition to the five market groups discussed above, the Company has an Advanced Products Group ("APG") which focuses on business opportunities adjacent to and outside of Autodesk's original market of design and drafting professionals. The goal of APG is to expand Autodesk's traditional customer base of architects and engineers by, for example, creating products for individuals in associated trades, such as landscaping and interior design. The first in a series of APG retail products, Picture This Home! Kitchen, was launched in January 1997.

## RECENT DEVELOPMENTS

In March 1997, the Company exchanged approximately 2.9 million shares of its common stock for all of the outstanding shares of Softdesk, Inc. ("Softdesk"), a leading supplier of AEC software. To assist in the allocation of the purchase price, an independent valuation of Softdesk is being completed. The Company expects that it will allocate approximately \$45 to \$55 million to in-process research and development and charge this amount to operations in the first quarter of fiscal year 1998. The Company also expects to incur an additional significant charge to operations, which is currently expected to be \$3 million to \$4 million, to reflect costs associated with integrating the two companies. Costs generally associated with this type of integration that may be incurred by the Company include the write-off of capitalized software, closing of excess facilities, and disposition of excess equipment. There can be no assurance that Autodesk will not incur additional charges to reflect costs associated with this merger or that management will be successful in its efforts to integrate the operations of the two companies. Failure to effectively accomplish the integration of the operations of the Company and Softdesk would have a material adverse effect on Autodesk's business, consolidated results of operations and financial condition. Moreover, uncertainty in the marketplace or customer hesitation relating to the Softdesk merger could negatively affect the Company's business, results of operations, and financial condition.

## PRODUCTS

The Company's primary CAD software products include AutoCAD and AutoCAD LT.

### AutoCAD

AutoCAD software is a general-purpose CAD tool used independently and in conjunction with specific applications designed to work with AutoCAD in fields ranging from architecture and mechanical design to plant design and mapping. Professionals utilize AutoCAD for design, modeling, drafting, mapping, rendering, and management tasks. The most current version, AutoCAD Release 13, was introduced in November 1994. AutoCAD runs on MS-DOS, Windows 95, Windows NT for both Intel and Alpha, Windows 3.1, and certain UNIX-based platforms (Sun Solaris, HP-UX, Silicon Graphics IRIX, and IBM AIX). The installed base of AutoCAD exceeds 1.6 million units. Because AutoCAD software's DWG files are portable across many platforms and operating systems, it is a viable solution for customers with multiple computer systems who need to exchange drawing files in such an environment.

Advanced AutoCAD functionality includes a comprehensive 2D and 3D drafting feature set. AutoCAD also has integrated 3D solid modeling, rendering, extensive 2D geometry such as NURBS (nonuniform rational B-spline) surfaces, and constraints, associative hatching, streamlined dimensioning, and text editing with a built-in spell checker.

AutoCAD software's open-system architecture allows users to adapt AutoCAD to unique professional requirements with any of more than 5,000 independently developed add-on applications. Independent application developers can use the AutoCAD Runtime Extension ("ARX") programming environment to take advantage of the rearchitected core technology contained in AutoCAD Release 13, which incorporates object-oriented programming to provide a foundation for the development of custom, market-specific applications.

Sales of AutoCAD and AutoCAD updates accounted for approximately 70 percent of Autodesk's revenues in fiscal year 1997 as compared to approximately 80 percent in fiscal years 1996 and 1995. The Company currently anticipates that the next release of AutoCAD will begin shipping in the second quarter of fiscal year 1998.

Autodesk is committed to enhancing AutoCAD software's core technology while at the same time extending Autodesk's reach with complementary products of varying price and functionality, some of which are described below.

## AutoCAD LT

AutoCAD LT for the Windows 3.1 and Windows 95 operating systems is a low-cost CAD package offering a wide range of 2D and basic 3D drafting capabilities. With an installed base of more than 450,000 seats, AutoCAD LT is intended for CAD managers, designers, and engineers who need a powerful, stand-alone CAD tool, but who do not require the advanced feature set in AutoCAD. AutoCAD LT software contains an extensive 2D drafting toolset as well as 3D lines and polylines with quick shading and hidden-line removal. Other features include Aerial View for panning and zooming and Paper Space for scaling, annotating, and assembling multiple drawing views before plotting. Operating in the Windows environment with pull-down menus, customizable toolbar, toolbox, menus, and scripts, as well as dialog boxes and icons, AutoCAD LT is easy to learn and use. It supports the Windows Clipboard, as well as Object Linking and Embedding, which allows users to link AutoCAD LT drawings to other Windows applications such as Microsoft Word or Excel. AutoCAD LT for Windows 95 has complete data compatibility with AutoCAD Release 13, which allows the exchange of drawings without requiring translation, ensuring greater speed and accuracy.

## AutoSketch

AutoSketch for Windows is a low-cost, entry-level 2D drafting package that can be used for creating technical diagrams, architectural layouts, electrical drawings, mechanical plans, information graphics, and presentations. AutoSketch offers easy tool customization; 13 library packs with more than 2,000 predrawn symbols; extensive editing capabilities; double-precision geometry; and the ability to write DWG files for AutoCAD and AutoCAD LT users.

## AutoCAD OEM

AutoCAD OEM ("Original Equipment Manufacturer") for Windows-based operating systems is a selectively licensed CAD engine offering a complete application-development environment for creating and delivering targeted or niche solutions with scaled feature sets. It is for developers, system integrators, and commercial software developers who require an embeddable CAD system which gives them the ability to scale and control the application feature set. AutoCAD OEM provides developers with a complete toolkit of AutoCAD features and application programming interfaces ("API's") including object-oriented ARX capabilities, a full suite of drawing and editing functions as well as AutoLISP, a LISP API, and the AutoCAD Development System, a C programming interface. These capabilities enable development of new products for new markets untapped by traditional CAD products and solutions.

Autodesk's MCAD products include Mechanical Desktop and the Autodesk Mechanical Library, which are discussed below.

## Mechanical Desktop

Mechanical Desktop software is an integrated software application that unites advanced 2D and 3D mechanical design capabilities for PCs. The Mechanical Desktop contains integrated modules for parametric feature-based solid modeling, surface modeling, and assembly modeling; 2D design/drafting and bidirectional associative drafting; as well as the Autodesk IGES Translator for AutoCAD Release 13, which enables users to accurately and efficiently exchange all versions of IGES (Initial Graphics Exchange Specification)-formatted files. Mechanical Desktop Release 1.2 which was released in March 1997, includes an Express User Interface, featuring a context-sensitive menu structure, Edit-in-Place assembly functionality in which individual components can be edited or created directly in the context of their targeted assemblies as well as improved integration with the Company's WorkCenter, 3D Studio, Autodesk View and AutoCAD software products. Advanced ordinate dimensioning, editing and display of crosshatch patterns, surface scaling, section view, and bill-of-materials generation are among the features included in the related release of Mechanical Desktop software.

## Autodesk Mechanical Library

Available on CD-ROM via a regularly updated subscription service from Autodesk Data Publishing, the Autodesk Mechanical Library currently consists of two titles: PartSpec and MaterialSpec. PartSpec contains more than 500,000 parts from over 70 manufacturers and MaterialSpec contains more than 25,000 material types. Sophisticated search capabilities allow users to search the PartSpec database by product, manufacturer, part number or performance specifications. Once a part is located, users can insert a part drawing directly into an AutoCAD drawing. PartSpec and the Mechanical Library also seamlessly integrate with the Autodesk Mechanical Desktop.

Autodesk's GIS Market Group offers a family of GIS products, tools, and developer programs to address the unique requirements of customers who use geographic information. These products are discussed below.

## AutoCAD Map

AutoCAD Map software is the first AutoCAD-based automated-mapping product for professional planners, utility managers, and technicians who create and maintain their own maps. Built with AutoCAD software, AutoCAD Map focuses on five key areas: digital map creation, analysis, maintenance of up-to-date maps, data exchange, and publishing. The application programming interface ("API") in AutoCAD Map lets developers build vertical applications for industries such as telecommunications, utilities, oil and gas, state and local government, and natural resource and environmental engineering. AutoCAD Map also contains the object-oriented power of ARX, a C++ application development environment that allows custom applications to operate directly within the AutoCAD Release 13 system architecture. As a result, more than 75 developers are providing applications for the AutoCAD Map platform.

## MapGuide

Released in October 1996, MapGuide is a Web-based GIS technology that lets corporate customers and developers use the Internet and business intranets to deploy geographic information systems that support live updates of maps and data. Suited for a wide range of users--from GIS professionals to the casual computer user--MapGuide software lets business and government organizations use the Internet to access and query digital maps and permits users to display and analyze geographic data for applications that include tracking customers, allocating resources, managing facilities, and infrastructure.

## AutoCAD Data Extension

AutoCAD Data Extension ("ADE") software is an add-on program that incorporates AutoCAD drawings with database records and other documents into one integrated environment. The graphical information created with ADE allows users to locate data within a set of AutoCAD drawings based upon entity location; properties such as color, layer, or linetype; or associated data. Well suited for multiuser work environments, ADE software provides simultaneous access to an organization's entire drawing database. Entity-locking and user-access controls monitor changes to source drawings and prevent accidental overwrites. Other features include data management tools that automatically link drawing objects to database records and related documents.

Autodesk's principal data management programs, Autodesk WorkCenter and Autodesk View, are discussed below.

## Autodesk WorkCenter

Windows-based Autodesk WorkCenter software is an easily customized software system for managing technical documents and automating workflow for design teams. Its built-in management tools allow users to organize documents according to specific needs; check documents in and out of a secured, multiuser environment; and automatically manage revisions over time. With workflow automation tools such as electronic notification, document distribution, approvals, and task routing with all relevant documents attached, WorkCenter software permits users to track projects easily and manage the flow of workgroup information. Its customizable interface and unique SmartView Folders feature allow users such as architects, mechanical engineers, or facilities managers to tailor the program using terminology and document/project organization schemes that work for them.

Fully integrated with AutoCAD for Windows, WorkCenter offers CAD document redlining and extensive viewing capabilities and works with more than 150 types of electronic documents, including text, spreadsheet, graphics, database, and CAD files. Thus, managers can view CAD drawings even though they may be unfamiliar with CAD software. The software also allows users to compare two drawings, and then highlights the differences. In September 1996, Autodesk introduced WorkCenter for the Web, the first commercially released product to extend the reach and impact of WorkCenter design document management beyond LAN-based AutoCAD design teams. WorkCenter for the Web lets design team members quickly and easily share WorkCenter-managed AutoCAD drawings and related documents through a company intranet or the Internet.

#### Autodesk View

Autodesk View is a low-cost CAD preview, view, and redline tool for design teams. The most current version, Autodesk View 1.1, supports Microsoft Windows NT and Windows 95 and includes additional AutoCAD Release 13 viewing functionality. Autodesk View supports more than 150 file formats common to drafters, designers, and managers, including office productivity formats. With Autodesk View, project managers can distribute AutoCAD files and related documents to users in a workgroup who, regardless of their CAD proficiency, need to view and comment on them, and be assured that the original documents will not be altered in the process.

#### Autodesk Data Publishing

Autodesk's Data Management Market Group also includes product offerings from Autodesk Data Publishing ("ADP"), which publishes preformatted product and reference libraries for specific markets. ADP titles include PartSpec and MaterialSpec (previously described) and PlantSpec, and provides purchased parts information to users in the process manufacturing industry.

#### PlantSpec

PlantSpec is a CD-ROM based intelligent digital library for the process and power industry that brings together product information from various manufacturers of plant components in a single digital format. Similar to PartSpec, PlantSpec includes graphical and texture information in a standard format, including DWG blocks, for thousands of parts, significantly reducing the time needed to locate or redraw manufacturer parts drawings in AutoCAD designs.

The principal product offerings from the Kinetix division are discussed below.

#### 3D Studio MAX

3D Studio MAX software, which began shipping in the first quarter of fiscal year 1997, is a 3D modeling and animation software package specifically written to take advantage of advanced features offered by the Windows NT operating system. With a real-time interface, multiple-processor support, and 3D graphics acceleration capabilities, 3D Studio MAX delivers workstation-class performance and functionality to PCs.

The easily navigated, intuitive interface eliminates many of the commonly accepted boundaries between modeling, rendering, and animation, and offers instant feedback; users can see the results of their actions in real time, as they are applied. Shaded views with real-time feedback allow users to visualize natural, real-world environments in which they can directly manipulate objects, regardless of scene complexity. Because 3D Studio MAX software maintains a data history of geometry creation and modification, users can return to and change any step, at any time, without having to redo prior work. 3D Studio MAX is also the only environment that can run Character Studio, a character-animation and skinning plug-in software product offered by Autodesk.

#### 3D Studio

3D Studio is a graphics package for creating professional-quality 3D modeling and animation. This PC-based software product, running in a DOS environment, provides a full complement of modeling, animation, and rendering tools that help users create richly textured, workstation-quality images and animations. In addition, 3D Studio and AutoCAD files are easily exchanged and allow for the development of advanced engineering or architectural visualizations. This product is well suited for animation designers and can be used to create corporate presentations, broadcast animations, industrial design visualizations, crime reenactments, and architectural walk-throughs, as well as for education and training.

## AutoVision

AutoVision software helps users create photorealistic still renderings and is integrated completely within AutoCAD software. With AutoVision, AutoCAD users can produce high-impact images and render, light, and compare multiple views of a single drawing. AutoVision is compatible with Autodesk 3D Studio and Autodesk's Texture Universe software, a collection of ready-to-use, digitized textures and backgrounds offering further visualization capabilities.

The Advanced Product Group introduced the following product in fiscal year 1997.

## Picture This Home! Kitchen

Introduced by the Company's Advanced Product Group during fiscal year 1997 as the first in a series of easy-to-use consumer home-remodeling software products, Picture This Home! Kitchen is a kitchen remodeling program that allows users to visualize and plan their own kitchen, down to the finest detail. The technology also allows users to mix and match thousands of decorative products (such as paints, wallpapers, and appliances) from more than 30 leading manufacturers using magazine-quality photographic images.

## PRODUCT DEVELOPMENT AND ENHANCEMENT

The computer industry is characterized by rapid technological change in computer hardware, operating systems, and software. To keep pace with this change, the Company maintains an aggressive program of new product development. The Company dedicates considerable resources to research and development to further enhance its existing products and to create new products and technologies. During fiscal years 1997, 1996, and 1995, the Company incurred \$93,702,000, \$78,678,000, and \$65,176,000, respectively, for software design, development, product localization, and project-management activities (excluding capitalized software development costs of approximately \$2,100,000 in fiscal year 1995; no software development costs were capitalized during fiscal years 1997 and 1996).

The majority of the Company's basic research and product development has been performed in the US, while translation and localization of foreign-market versions are generally performed by development teams or contractors in the local markets. Autodesk's product-related functions in Europe, including software development, localization, quality assurance, technical publications, and production, are centralized in Neuchatel, Switzerland.

The Company intends to continue recruiting and hiring experienced software developers and to consider the licensing and acquisition of complementary software technologies and businesses. In addition, the Company will continue to actively collaborate with and support independent software developers who offer products that enhance and complement AutoCAD software and other products Autodesk offers.

The software industry is characterized by rapid technological change as well as changes in customer requirements and preferences. The software products offered by the Company are internally complex and, despite extensive testing and quality control, may contain errors or defects ("bugs"), especially when first introduced. In fiscal year 1996, Autodesk experienced quality and performance issues associated with AutoCAD Release 13, including issues related to compatibility with certain hardware platforms and peripheral equipment, interoperability problems with products designed to work in conjunction with AutoCAD Release 13, and other issues associated with the software's object-oriented design. These factors resulted in a high rate of product returns in fiscal year 1996. While Autodesk believes the AutoCAD Release 13 performance issues have been satisfactorily addressed, there can be no assurance that defects or errors will not be discovered in future versions of AutoCAD and other software products offered by the Company. Such defects or errors could result in corrective releases to the Company's software products, damage to Autodesk's reputation, loss of revenues, increase in product returns, or lack of market acceptance of its products, any of which could have a material and adverse effect on the Company's business and consolidated results of operations.

Certain of the Company's product development activities are performed by independent firms and contractors, while other technologies are licensed from third parties. The Company generally either owns or has licenses for use of the software developed by third parties. Because talented development personnel are in high demand, there can be no assurance that independent developers, including those who have developed products for the Company in the past, will be able to provide development support to the Company in the future. Similarly, there can be no assurance that the Company will be able to obtain and renew existing license agreements on favorable terms, if at all, which could have a material and adverse effect on the Company's business and consolidated results of operations.

Additionally, there can be no assurance that the Company's development efforts will result in the timely introduction of new products or that such new products will be commercially successful. Failure to successfully develop new products or delays in the introduction of these new products, including the next version of AutoCAD, which is currently anticipated to ship in the second quarter of fiscal year 1998, or lower-than-anticipated demand for these products could have a material and adverse effect on the Company's business and consolidated results of operations.

#### MARKETING AND SALES

Autodesk's customer-related operations are divided into three geographic regions: the Americas, Europe, and Asia/Pacific. Autodesk's products are marketed worldwide through a network of domestic and foreign offices. The Company distributes its software products primarily through a network of more than 4,000 independent distributors and dealers (value-added resellers or "VARs") who distribute the Company's products to end users in more than 150 countries. VARs, including both independent owners and computer store franchisees, are supported by the Company and its subsidiaries through technical training, periodic publications, the Autodesk Forum, an electronic bulletin board on the CompuServe network, and Autodesk's Home Page on the Internet.

In addition, the Company works directly with dealer and distributor sales organizations, computer manufacturers, other software developers, and peripherals manufacturers through cooperative advertising, promotions, and trade-show presentations. Autodesk also holds annual "Expos" throughout the world. These dedicated trade shows, incorporated within major industry trade shows, highlight Autodesk's products, as well as a number of third-party products. The Company also employs mass-marketing techniques such as direct mailings and advertising in business and trade journals. Further, Autodesk supports user groups dedicated to the exchange of information related to the use of the Company's products.

Domestically, the Company distributes its products primarily through its authorized dealer network. Other domestic sales are made principally to large corporations, governmental agencies, educational institutions, and, for certain low-end CAD products, to end users. Substantially all of Autodesk's international sales are made to dealers and distributors, which are supported by Autodesk's foreign subsidiaries and international sales organizations. Certain international sales result from direct exports from the United States.

Autodesk's ability to effectively distribute its products depends in part upon the financial and business condition of its VAR network. Although the Company has not to date experienced any material problems with its VAR network, computer software dealers and distributors are typically not highly capitalized, have tended to experience difficulties during times of economic contraction and during periods of technology-market price pressure, and may do so in the future. No single customer accounted for more than 10 percent of Autodesk's consolidated revenues in fiscal year 1997, 1996, or 1995. The loss of, or a significant reduction in, business with any one of Autodesk's major international distributors or large US dealers could have a material adverse effect on the Company's business and consolidated results of operations.

The Company intends to continue to make its products available in foreign languages and expects that foreign sales will continue to contribute a significant portion of its consolidated revenues. Foreign revenues, including export sales from the US to foreign customers, accounted for approximately 65 percent, 64 percent, and 61 of revenues in fiscal years 1997, 1996, and 1995, respectively.



## CUSTOMER AND DEALER SUPPORT

The Company requires each authorized dealer and distributor to provide a professional level of technical support to customers by employing full-time, trained, technical-support personnel. The Company supports its dealers and distributors through technical product training, sales training classes, and direct telephone support. While the Company generally does not provide direct end-user support, Autodesk offers online support to customers through Autodesk's Home Page on the Internet and to customers who log onto one of the Autodesk Forums on CompuServe. The Autodesk Forums are the AutoCAD Forum, the Autodesk Beta Forum, the Autodesk Multimedia Forum, Kinetix Forum, Showcase Forum, and the Autodesk Retail Products Forum. These forums provide answers to user's technical questions as well as tips and techniques for the effective use of the Company's products. The Autodesk Forum also allows the Company to make available important product-support information simultaneously to dealers and customers.

Responding to the increasing demand for industry-specific customer services, the Company offers authorized Autodesk dealers training and support under two programs: the Autodesk Premier Support Center ("APSC") program and the Autodesk Systems Center ("ASC") Solutions Training. The APSC program requires participating dealers to provide a high level of technical support with special expertise in a specified vertical industry. The ASC Solutions Training Program requires dealers to provide superior industry-specific application training to end users of the Company's products. Both programs require that the dealers meet certain qualifications in order to receive an industry medallion and APSC and ASC Solutions Training status.

As of January 31, 1997, the Company had more than 900 Autodesk Training Centers ("ATC's") sites throughout the world. These accredited training centers offer in-depth education and training in computer-aided design skills on AutoCAD and other Autodesk products, as well as on related, independently developed software.

Customers have formed Autodesk user groups as forums for education and to suggest product enhancements and development of new products. The Autodesk User Group International ("AUGI"), officially recognized by Autodesk, sponsors an annual meeting held concurrently with the Autodesk University user show; publishes a quarterly newsletter; independently evaluates Autodesk products; compiles user feature and functionality requirements; and offers telecourses taught by its membership on CompuServe. In addition there are local user groups in Europe, Asia/Pacific, and the Americas focused on expanding the use of Autodesk products.

## DEVELOPER PROGRAMS

One of the Company's key strategies is to maintain an open-architecture design of its software products to facilitate third-party development of peripheral and complementary products. This approach enables customers and third parties to customize the Company's products for a wide variety of highly specific uses. Autodesk offers several programs that provide marketing, sales, and technical support and programming tools to Autodesk Registered Developers worldwide, who have, to date, developed more than 5,000 commercially available add-on applications for Autodesk products. Although Autodesk derives no direct revenue from these application developers, the Company believes that the availability and use of their add-on products enhance sales opportunities for Autodesk's core products.

Autodesk also licenses its industry-standard component technologies to selected developers through the Autodesk OEM Program. Currently, the OEM Program includes a CAD engine and engines for 3D graphics, drawing access, and rendering. Autodesk's OEM Program provides the technology for qualified developers to create and deliver suites of scalable products that focus on solving customer needs in specialized markets. It also leverages Autodesk's technological and market leadership, enables developers to take cost-effective advantage of a growing trend in software engineering technology, and provides customers with an opportunity to migrate to fully extensible, custom, high-end Autodesk solutions.

To support the growth of third-party developers, whose applications extend and enhance the functionality of Autodesk's products worldwide, the Company established the Virtual Corporation Partner Program ("VCP") during fiscal year 1995. This program provides sales, marketing, technical, and financial support to Autodesk strategic developers and dealers.

In fiscal year 1996, the Company introduced the Mechanical Application Initiative ("MAI") partner program which is aimed at the development and marketing of products which can be integrated with Autodesk's MCAD products. MAI partners participate with Autodesk in product marketing and development activities. In October 1995, an initial application programming interface was delivered to MAI partners to support their development of these MCAD-compatible applications.

#### BACKLOG

Autodesk typically ships products within one to two weeks after receipt of an order, which is common in the computer software industry. Accordingly, Autodesk does not maintain significant backlog and backlog as of any particular date gives no indication of actual sales for any succeeding period.

#### COMPETITION

The software industry has limited barriers to entry, and the availability of desktop computers with continually expanding capabilities at progressively lower prices contributes to the ease-of-market entry. Because of these and other factors, competitive conditions in the future are likely to intensify. Increased competition could result in price reductions, reduced revenues and profit margins, and loss of market share, which would adversely affect Autodesk's business, consolidated results of operations and financial condition.

The AutoCAD family of products competes directly with other CAD software, including that of MicroStation from Bentley Systems, Inc.; Personal Designer and CADDs from Computervision Corporation; MICRO CADAM which is developed and supported by CADAM Systems Company, Inc; and CADKEY from Cadkey, Inc. In the low-cost CAD segment, AutoCAD LT competes directly with Corel Visual CADD, software developed by Numera Software and marketed by Corel Corporation, and indirectly with Visio Technical by Visio Corporation and TurboCADD 2D/3D by ISMI. Autodesk's MCAD products compete with Parametric Technology Corporation's Pro/Engineer; SolidWorks 95 from SolidWorks Corporation; the I-DEAS Master Series from Structural Dynamics Research Corporation; and the CATIA and CADAM products offered by Paris-based Dassault Systemes and marketed and sold by IBM. Autodesk's data management products compete with various low-end file management systems such as AM Workflow from Cyco Software BV, as well high-end product data management software solutions including offerings from Sherpa Corporation and Metaphase. Autodesk's data management products also compete with generic document management products including offerings from Documentum, Inc. and PC DOCS, Inc. AutoCAD Map competes most directly with MicroStation Geographics from Bentley Systems, Inc., and GIS product lines offered by Environmental Systems Research Institute, Inc., and Intergraph Corporation. Autodesk also faces competition in its foreign markets from a number of products offered by foreign-based companies.

Product offerings from the Kinetix division--3D Studio MAX, 3D Studio, and AutoVision software--are currently available on IBM PCs and compatible computers. The primary competition in the multimedia software market consists of products available on personal computers and computer systems offered by Silicon Graphics, Inc., including multimedia product offerings from Alias|Wavefront, a wholly owned, independent subsidiary of Silicon Graphics, Inc. Products competing with 3D Studio MAX and 3D Studio software include Softimage 3D by Softimage Inc., a wholly owned subsidiary of Microsoft Corporation, Lightwave 3D by NewTek, Inc., and trueSpace 2 and trueSpace/SE by Caligari Corporation. 3D Studio Release 4 is also a viable alternative application to costlier graphics systems available only on computers offered by Silicon Graphics, Inc. AutoVision software competes with two third-party add-on products, AccuRender from Robert McNeel & Associates and RenderStar from RenderStar Technology BV.

Autodesk believes that the principal factors affecting competition in its markets are price, product reliability, performance, range of useful features, continuing product enhancements, reputation, and training. In addition, the availability of third-party application software is a competitive factor within the CAD market. Autodesk believes that it competes favorably in these areas and that its competitive position will depend, in part, upon its continued ability to enhance existing products, and to develop and market new products.

## INTELLECTUAL PROPERTY AND LICENSES

The Company protects its intellectual property through copyright, trade secret, patent, and trademark laws. For substantially all AutoCAD sales outside of North America, the Company uses software protection locks to inhibit unauthorized copying. Nonetheless, there can be no assurance that Autodesk's intellectual property rights can be successfully asserted in the future or will not be invalidated, circumvented, or challenged. In addition, the laws of certain foreign countries where Autodesk's products are distributed do not protect Autodesk's intellectual property rights to the same extent as the laws of the US. The inability of the Company to protect its proprietary information could have a material adverse effect on the Company's business and consolidated results of operations.

From time to time, the Company receives claims alleging violation of a third party's intellectual property, including patent rights. Any disputes involving Autodesk's intellectual property rights or those of another party could lead to costly litigation which could have a material adverse effect on the Company's business and consolidated results of operations.

The Company retains ownership of software it develops. All software is licensed to users and provided in object code pursuant to either shrink-wrap, embedded or on-line licenses, or executed license agreements. These agreements contain restrictions on duplication, disclosure, and transfer.

The Company believes that because of the limitations of laws protecting its intellectual property and the rapid, ongoing technological changes in both the computer hardware and software industries, it must rely principally upon software engineering and marketing skills to maintain and enhance its competitive market position.

The Company has an in-house antipiracy program focused on pursuing companies and individuals who illegally duplicate, sell or install Autodesk's software products. Software piracy is in some cases a felony under US federal law, which allows copyright and patent holders to protect and enforce their rights as owners of intellectual property.

## PRODUCTION

Production of the Company's 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 on to media for distribution to customers are performed by the Company and by licensed subcontractors. Media for Autodesk's products include CD-ROMs and disks and are available from multiple sources. User manuals for the Company's products and packaging materials are produced to Company specifications by outside sources. Domestic production is performed in leased facilities operated by the Company. Certain product assembly is also performed by independent third-party contractors. International production is performed in leased facilities in Switzerland and Australia and by independent third-party contractors in Ireland, Japan, and Singapore. To date, the Company has not experienced any material difficulties or delays in the production of its software and documentation.

## EMPLOYEES

As of January 31, 1997, the Company had 2,044 full-time employees (1,379 in North America, 471 in Europe, and 194 in Asia/Pacific), of whom 624 were in software development and quality assurance, 930 in marketing and sales, 111 in production, and 379 in general and administrative positions. The Company believes that its future success will depend, in part, on its ability to continue to attract and retain highly skilled technical, marketing, support, and management personnel.

None of the Company's employees in the United States is subject to a collective bargaining agreement, and the Company has never experienced a work stoppage. Management believes that its employee relations are good.

ITEM 2. PROPERTIES

The Company's executive offices and those related to product development, domestic marketing and sales, and production are located in leased office space in northern California. The Company also leases office space in various locations throughout the US for local sales and technical support personnel. Autodesk's foreign subsidiaries lease office space for their operations. The Company owns substantially all equipment used in its facilities.

ITEM 3. LEGAL PROCEEDINGS

Tektronix, Inc. has filed a complaint in the US District Court for the District of Oregon alleging infringement by the Company of US Patent No. 4,734,690. The Company is still evaluating the claims in this matter, but management believes the ultimate outcome of this matter will not be material to Autodesk's consolidated financial position, results of operations, or cash flows.

In December 1994, the US District Court for the District of Vermont entered a \$25.5 million verdict against the Company in a trade secret misappropriation lawsuit brought by Vermont Microsystems, Inc. ("VMI"), which was recorded in the fourth quarter of fiscal year 1995. After an initial appeal and remand, that award was reduced to \$14,209,000, plus interest. Because this case is still under appeal, the Company has not reflected the reduction of damages in its financial statements.

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 1997.

Executive Officers of the Registrant

The following sets forth certain information regarding the executive officers of the Company as of April 25, 1997:

NAME	AGE	POSITION
----	---	-----
Carol A. Bartz.....	48	Chairman of the Board and Chief Executive Officer
Eric B. Herr.....	48	President; Chief Operating Officer
David C. Arnold.....	41	Vice President, AEC Market Group
Joseph H. Astroth, Ph.D.....	40	Vice President, GIS Market Group
Robert M. Carr.....	40	Vice President, AutoCAD Market Group
Steve Cakebread.....	45	Vice President and Chief Financial Officer
Larry L. Crume.....	52	Vice President, Kinetix
James D. D'Arezzo.....	45	Vice President, Corporate Marketing
Dominic J. Gallello.....	41	Vice President, Mechanical CAD and Data Management Market Groups
John E. Lynch.....	40	Vice President, Advanced Products Group
Stephen McMahon.....	55	Vice President, Human Resources
Tom Norring .....	51	Vice President, Asia/Pacific
Marcia K. Sterling.....	53	Vice President, Business Development, and General Counsel
Godfrey R. Sullivan.....	42	Vice President, Americas
Michael E. Sutton.....	52	Vice President, Europe

CAROL A. BARTZ joined the Company in April 1992 and has served as Chief Executive Officer and Chairman of the Board since May 1992. Ms. Bartz served as President from May 1992 through September 1996. Prior to joining Autodesk, from 1983 to April 1992, Ms. Bartz held various positions at Sun Microsystems, Inc., including Vice President, Worldwide Field Operations (July 1990 to April 1992). Ms. Bartz is a director of AirTouch Communications, Cadence Design Systems, Inc., Network Appliance, Inc., Cisco Systems, Inc., and BEA Systems, Inc.

ERIC B. HERR has been Autodesk's President and Chief Operating Officer since September 1996, having also served as the Acting Vice President, AEC Market Group from September 1996 through March 1997. Mr. Herr served as the Chief Financial Officer from the time he joined the Company in May 1992 until September 1996. From December 1992 through January 1995, Mr. Herr served as Vice President, Emerging Businesses. From January 1995 to May 1995, Mr. Herr served as Vice President, Finance, and Administration. From May 1990 to May 1992, he served as Vice President of Finance and Planning, Sun Microsystems, Inc.

DAVID C. ARNOLD has served as Vice President, AEC Market Group since April 1997. Mr. Arnold is a cofounder of Softdesk and has served as its Chief Executive Officer, Treasurer, and Chairman of the Board from Softdesk's inception in 1985 through March 1997.

DR. JOSEPH H. ASTROTH has served as Vice President, GIS Market Group, since joining the Company in January 1996. From September 1989 through December 1995, Dr. Astroth held various positions with Graphic Data Systems Corporation including Director, Environmental Market Group from January 1993 to June 1994, and Vice President of Product Management, Engineering, from June 1994 to December 1995.

STEVE CAKEBREAD joined the Company in April 1997 as Vice President and Chief Financial Officer. From April 1993 through March 1997 he served as Vice President, Finance World Trade Corporation at Silicon Graphics. Mr. Cakebread held various finance and general management positions at Hewlett-Packard Company from January 1972 through March 1993.

ROBERT M. CARR has served as Vice President, AutoCAD Market Group, since September 1996. Mr. Carr joined Autodesk in November 1993 and served as Vice President, Core Technology Group, through January 1995, and Vice President, Engineering from January 1995 through September 1996. From September 1987 to August 1993, Mr. Carr served as Vice President of Software Development of Go Corporation, a company he cofounded.

LARRY L. CRUME has served as Vice President and General Manager, Kinetix (formerly Autodesk's Multimedia Market Group), since joining Autodesk in October 1995. From March 1990 through September 1994, Mr. Crume worked at Lotus Development Corporation, serving as Vice President, International Business Development, from January 1990 to April 1993, and as Vice President, Electronic Messaging Division, from April 1993 to September 1994. From that time until joining Autodesk, Mr. Crume was an independent consultant.

JAMES D. D'AREZZO has served as Vice President, Corporate Marketing, since joining Autodesk in February 1994. Mr. D'Arezzo served as Vice President, Data Management Market Group, from February 1996 through September 1996. From February 1994 through December 1995, Mr. D'Arezzo served as Vice President, Corporate Marketing, and Vice President, GIS and DM Market Groups. From November 1993 to January 1994, Mr. D'Arezzo served as the Vice President of Corporate Business Development for Banyan Systems. From July 1990 to November 1993, Mr. D'Arezzo served as Banyan's Vice President of Marketing.

DOMINIC J. GALLELLO has served as Vice President, MCAD Market Group since January 1995 and as Vice President, Data Management Group since November 1996. Mr. Gallello served as Vice President, Asia/Pacific from the time he joined Autodesk in October 1992 until July 1996. From February 1995 to August 1995, Mr. Gallello served as Acting Vice President, MCAD Market Group. From April 1981 to October 1992, he held various positions with Intergraph Corporation, including President, Intergraph Japan, from June 1986 to October 1992.

JOHN E. LYNCH joined Autodesk in May 1986 and has served as Vice President, Advanced Product Group, since January 1995, Chief Technical Officer from February 1995 through September 1996, and Vice President, AEC/FM Market Group from September 1995 through September 1996.

STEPHEN MCMAHON has served as Vice President, Human Resources, since joining Autodesk in July 1992. From July 1987 to July 1992, Mr. McMahon served as Senior Director, Human Resources, for Apple Computer, Inc.

TOM NORRING has served as Vice President, Asia Pacific, since joining Autodesk in June 1996. Prior to joining Autodesk, Mr. Norring served as Vice President of Asia Pacific and Latin America and in a variety of international management positions for Hitachi Data Systems from 1978 to 1996.

MARCIA K. STERLING joined Autodesk in October 1995 as Vice President, Business Development, and General Counsel. From September 1982 to October 1995, she practiced corporate and securities law at Wilson Sonsini Goodrich & Rosati, where she was a member.

GODFREY R. SULLIVAN has served as Vice President, the Americas, since joining Autodesk in October 1992 and as Acting Vice President, AEC/FM Market Group, from February 1995 to September 1995. Mr. Sullivan held various positions with Apple Computer, Inc., from June 1984 to September 1992, including Vice President and General Manager, Business Markets Division, from April 1992 to September 1992 and Vice President and General Manager, US Reseller Operations, from July 1991 to March 1992.

MICHAEL E. SUTTON has served as Vice President, Europe, since June 1993. Mr. Sutton joined Autodesk in October 1987 as a sales and marketing director in the United Kingdom. Mr. Sutton was the Managing Director of Autodesk's United Kingdom subsidiary from January 1990 to January 1992. From January 1992 to February 1993, Mr. Sutton served as Northern Region Manager, Europe, and from February 1993 to May 1993, he served as Acting Vice President, Europe.

There is no family relationship between any director or executive officer of Autodesk.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to page 52 of the Company's 1997 Annual Report to Stockholders.

### ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to page 23 of the Company's 1997 Annual Report to Stockholders.

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is incorporated by reference to pages 24 through 32 of the Company's 1997 Annual Report to Stockholders.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to pages 33 through 50 of the Company's 1997 Annual Report to Stockholders.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

Certain information required by Part III is omitted from this Report in that the Registrant will file a definitive proxy statement pursuant to Regulation 14A (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this Report 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. Such incorporation does not include the Compensation Committee Report or the Performance Graph included in the Proxy Statement.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning the Company's directors required by this Item is incorporated by reference to the Company's Proxy Statement.

The information concerning the Company's executive officers required by this Item is incorporated by reference herein to the section of this Report in Part I, Item 4, entitled "Executive Officers of the Registrant."

The information regarding compliance with Section 16 of the Securities and Exchange Act of 1934 is to be set forth in the Proxy Statement and is hereby incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

1. Financial Statements: The following Consolidated Financial Statements of -----  
Autodesk, Inc. and Report of Ernst & Young LLP, Independent Auditors, are incorporated by reference to pages 33 through 50 of the Registrant's 1997 Annual Report to Stockholders:  
  
Consolidated Statement of Income--Fiscal Years Ended January 31, 1997, 1996, and 1995  
  
Consolidated Balance Sheet--January 31, 1997 and 1996  
  
Consolidated Statement of Cash Flows--Fiscal Years Ended January 31, 1997, 1996, and 1995  
  
Consolidated Statement of Stockholders' Equity--Three-Year Period Ended January 31, 1997  
  
Notes to Consolidated Financial Statements  
  
Report of Ernst & Young LLP, Independent Auditors
2. Financial Statement Schedule: The following financial statement schedule of -----  
Autodesk, Inc., for the fiscal years ended January 31, 1997, 1996, and 1995 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.....S-1

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: The Exhibits listed on the accompanying Index to Exhibits -----  
immediately following the financial statement schedules are filed as part of, or incorporated by reference into, this Report.

Exhibit No.	Description
2.1 (1)	Agreement and Plan of Reorganization By and Among Autodesk, Inc., Autodesk Acquisition Corporation, and Softdesk, Inc., dated Decmeber 10, 1996, as amended December 19, 1996.
3.1 (2)	Certificate of Incorporation of Registrant, as amended
3.2	Certificate of Designation
3.3 (2)	Bylaws of Registrant
4.1 (3)	Preferred Shares Right Agreement dated December 14, 1995
10.1 (4)*	Registrant's 1987 Stock Option Plan, as amended
10.2 (4)*	Registrant's Employee Qualified Stock Purchase Plan and form of Subscription Agreement, as amended
10.3 (4)*	Registrant's 1990 Directors' Option Plan, as amended
10.4 (4)*	Registrant's 1996 Stock Option Plan
10.5 (2)*	Form of Indemnification Agreement executed by the Company and each of its officers and directors
10.6 (5)*	Agreement between Registrant and Carol A. Bartz dated April 7, 1992
10.7 (6)	Teleos Research 1996 Stock Plan



- 10.8 (7) Registrant's Nonstatutory Stock Option Plan
- 10.9 (8) Softdesk, Inc. 1992 Stock Option Plan
- 10.10(8) Softdesk, Inc. 1993 Director Stock Option Plan
- 10.11(8) Softdesk, Inc. 1993 Equity Incentive Plan
- 13.1 Annual Report to Stockholders for the year ended January 31, 1997 (to be deemed filed only to the extent required by the instructions to exhibits for reports on Form 10-K)
- 21.1 List of Subsidiaries
- 23.1 Consent of Independent Auditors (included on page 19 of this Report)
- 24.1 Power of Attorney (included on page 18 of this Report)

- (1) Incorporated by reference to the exhibit filed with the Registration on Form S-4 filed on March 3, 1997.
- (2) Incorporated by reference to the exhibit filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1995.
- (3) Incorporated by reference to the Registrants Report on Form 8-A filed on January 5, 1996, as amended on January 8, 1996.
- (4) Incorporated by reference to the exhibit filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1996.
- (5) Incorporated by reference to the exhibit filed with the Registrant's Report on Form 10-Q for the fiscal quarter ended April 30, 1992.
- (6) Incorporated by reference to the exhibit filed with the Registrant's Report on Form S-8 filed on July 23, 1996.
- (7) Incorporated by reference to the exhibit filed with the Registrant's Report on Form S-8 filed on October 29, 1996.
- (8) Incorporated by reference to the exhibit filed with the Registrant's Report on Form S-8 filed on April 3, 1997.

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

- (b) Reports on Form 8-K: No report on Form 8-K was filed by the Company during -----  
the fiscal quarter ended January 31, 1997.

With the exception of the information incorporated by reference to the Annual Report to Stockholders in Items 5, 6, 7, and 8 of Part II and Item 14 of Part IV of this Form 10-K, the Company's 1996 Annual Report to Stockholders is not to be deemed filed as a part of this Report.

Autodesk, the Autodesk logo, AutoCAD, AutoCAD LT, 3D Studio, WorkCenter, and PartSpec are registered trademarks, and Mechanical Desktop, 3D Studio MAX, Kinetix, AutoCAD Map, Autodesk MapGuide, Autodesk World, PlantSpec, DesignBlocks, Hyperwire, Picture This Home!, and Design Your World are trademarks, of Autodesk, Inc. in the USA and/or other countries. Microsoft Windows and Windows NT are registered trademarks of Microsoft Corporation. All other brand names, product names, or trademarks belong to their respective holders.

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/ CAROL A. BARTZ

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 Carol A. Bartz  
 Chairman of the Board

Dated: April 30, 1997

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Carol A. Bartz 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 and on the dates indicated.

Signature -----	Title -----	Date -----
/s/ CAROL A. BARTZ ----- Carol A. Bartz	Chief Executive Officer and Director (Principal Executive Officer)	April 30, 1997
/s/ STEVE CAKEBREAD ----- Steve Cakebread	Vice President and Chief Financial Officer (Principal Financial Officer)	April 30, 1997
/s/ JOHN E. CALONICO ----- John E. Calonico	Vice President, Finance (Principal Accounting Officer)	April 30, 1997
/s/ MARK A. BERTELSEN ----- Mark A. Bertelsen	Director	April 30, 1997
/s/ CRAWFORD W. BEVERIDGE ----- Crawford W. Beveridge	Director	April 30, 1997
/s/ J. HALLAM DAWSON ----- J. Hallam Dawson	Director	April 30, 1997
/s/ MORTON L. TOPFER ----- Morton L. Topfer	Director	April 30, 1997
/s/ MARY ALICE TAYLOR ----- Mary Alice Taylor	Director	April 30, 1997

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Autodesk, Inc. of our report dated February 24, 1997, except for Note 10 as to which the date is March 31, 1997, included in the 1997 Annual Report to Stockholders of Autodesk, Inc.

Our audits also included the financial statement schedule of Autodesk, Inc. listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-15675, No. 33-22656, No. 33-39458, No. 33-41265, No. 33-51110, No. 33-54683, No. 33-61015, No. 333-08693, No. 333-15037 and No. 333-24469) pertaining to the 1987 Stock Option Plan, 1990 Directors' Option Plan, the Autodesk, Inc. Nonstatutory Stock Option Plan, and Employee Qualified Stock Purchase Plan of Autodesk, Inc., the Teleos Research 1996 Stock Plan and the Softdesk, Inc. 1992 Stock Option Plan, Softdesk, Inc. 1993 Director Stock Option Plan and Softdesk, Inc. 1993 Equity Incentive Plan of our report dated February 24, 1997, except for Note 10 as to which the date is March 31, 1997, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Autodesk, Inc.

/s/ ERNST & YOUNG LLP

ERNST & YOUNG LLP

San Jose, California  
April 28, 1997

## Schedule II

## AUTODESK, INC.

## VALUATION AND QUALIFYING ACCOUNTS

Description -----	Balance at Beginning of Year -----	Additions-- Charged to Costs and Expenses -----	Deductions Write-Offs -----	Balance at End of Year -----
Fiscal year ended January 31, 1997				
Allowance for doubtful accounts	\$6,731,000	\$1,735,000	\$1,831,000	\$6,635,000
Allowance for stock balancing and product rotation	\$14,607,000	\$46,884,000	\$44,316,000	\$17,175,000
Fiscal year ended January 31, 1996				
Allowance for doubtful accounts	\$6,457,000	\$3,527,000	\$3,253,000	\$6,731,000
Allowance for stock balancing and product rotation	\$6,892,000	\$58,889,000	\$51,174,000	\$14,607,000
Fiscal year ended January 31, 1995				
Allowance for doubtful accounts	\$5,204,000	\$2,198,000	\$945,000	\$6,457,000
Allowance for stock balancing and product rotation	\$1,290,000	\$34,224,000	\$28,622,000	\$6,892,000

CERTIFICATE OF DESIGNATION OF RIGHTS, PREFERENCES  
AND PRIVILEGES OF

SERIES A PARTICIPATING PREFERRED STOCK

OF AUTODESK, INC.

Pursuant to Section 151 of the General Corporation Law  
of the State of Delaware

We, Carol A. Bartz and Marcia K. Sterling, the President and the Secretary, respectively, of Autodesk, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation of the said Corporation, the said Board of Directors on December 14, 1995 adopted the following resolution creating a series of 100,000 shares of Preferred Stock designated as Series A Participating Preferred Stock:

"RESOLVED, that pursuant to the authority vested in the Board of Directors of the corporation by the Certificate of Incorporation, the Board of Directors does hereby provide for the issue of a series of Preferred Stock of the Corporation, to be designated "Series A Participating Preferred Stock," par value \$0.01 per share, initially consisting of 100,000 shares, and to the extent that the designations, powers, preferences and relative and other special rights and the qualifications, limitations and restrictions of the Series A Participating Preferred Stock are not stated and expressed in the Certificate of Incorporation, does hereby fix and herein state and express such designations, powers, preferences and relative and other special rights and the qualifications, limitations and restrictions thereof, as follows (all terms used herein which are defined in the Certificate of Incorporation shall be deemed to have the meanings provided therein):

Section 1. Designation and Amount. The shares of such series shall be

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designated as "Series A Participating Preferred Stock," par value \$0.01 per share, and the number of shares constituting such series shall be 100,000.

Section 2. Dividends and Distributions.

-----  
(A) Subject to the prior and superior right of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Participating Preferred Stock with respect to dividends, the holders of shares of Series A Participating Preferred Stock shall be entitled to receive when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of January, April, July

and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to, subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Participating Preferred Stock. In the event the Corporation shall at any time after December 14, 1995 (the "Rights Dividend Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Participating Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) Dividends shall begin to accrue on outstanding shares of Series A Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A

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Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Participating Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Dividend Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as required by law, holders of Series A Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

#### Section 4. Certain Restrictions.

(A) The Corporation shall not declare any dividend on, make any distribution on, or redeem or purchase or otherwise acquire for consideration any shares of Common Stock after the first issuance of a share or fraction of a share of Series A Participating Preferred Stock unless concurrently therewith it shall declare a dividend on the Series A Participating Preferred Stock as required by Section 2 hereof.

(B) Whenever quarterly dividends or other dividends or distributions payable on the Series A Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Participating Preferred Stock;

(ii) declare or pay dividends on, or make any other distributions on, any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with Series A Participating Preferred Stock, except dividends paid ratably on the Series A

Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Participating Preferred Stock;

(iv) purchase or otherwise acquire for consideration any shares of Series A Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(C) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Participating

Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Participating Preferred Stock shall have received \$1,000.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1,000 (as appropriately adjusted as set forth in subparagraph (C) below



to reflect such events as stock splits, stock dividends and recapitalization with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Participating Preferred Stock and Common Stock, respectively, holders of Series A Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full to the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series A Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Dividend Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall  
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enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Dividend Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Participating

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Preferred Stock shall not be redeemable.

Section 9. Ranking. The Series A Participating Preferred Stock shall

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rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. The Restated Certificate of Incorporation of the

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Corporation shall not be further amended in any manner which would materially alter or change the powers, preference or special rights of the Series A Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series A Participating Preferred Stock

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may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Participating Preferred Stock.

RESOLVED FURTHER, that the President or any Vice President and the Secretary or any Assistant Secretary of this corporation be, and they hereby are, authorized and directed to prepare and file (or cause to be prepared and filed) a Certificate of Designation of Rights, Preferences and Privileges in accordance with the foregoing resolution and the provisions of Delaware law and to take such actions as they may deem necessary or appropriate to carry out the intent of the foregoing resolution."

IN WITNESS WHEREOF, we have executed and subscribed to this Certificate and do hereby affirm the foregoing as true under the penalties of perjury this 14th day of December, 1995.

/s/ CAROL A. BARTZ  
-----  
Carol A. Bartz, President

/s/ MARCIA K. STERLING  
-----  
Marcia K. Sterling, Secretary

Timing

Focus

Building

Execution

Performance

[Autodesk, Inc. logo]

[Timing]

Graphic: [photograph of clock]

[T i m i n g]

[The time was wrong for financial growth in FY97: the European economy took a downturn, the strength of the U.S. dollar drove down the value of foreign currencies, and AutoCAD Release 13 end-of-cycle sales tapered off. But the timing was right to shore up our long-term strategies.]

Graphic: [Inverted photograph of clock]

[Focus]

Graphic: [photograph of magnifying glass]

[F o c u s]

[We stayed on course with product diversification and support for our dealer channel by reducing inventories. Despite a 7 percent decrease in revenues, we focused on stockholder value by continuing to invest in long-term growth.]

Graphic: [Inverted photograph of magnifying glass]



[Building]

Graphic: [Photograph of hammer]

[B u i l d i n g]

[We added staff to our market groups, acquired companies and their technologies, developed new vertical-market products for release in the coming year, and we laid the foundation for moving design to the Internet.]

Graphic: [Inverted photograph of hammer]

[Execution]

Graphic: [photograph of movie director's cue]

[E x e c u t i o n]

[We are already acting on the investments we made in acquisitions and product development in FY97. We launched more than 20 new products this fiscal year and grew non-AutoCAD revenues more than 28 percent. And we built a fast, compelling, high-quality AutoCAD Release 14.

Graphic: [Inverted photograph of movie director's cue]

It has been my custom, in years past, as chief executive officer of Autodesk to introduce our annual report to stockholders with a brief letter. My letter this year--which begins on page 11--will be longer than usual because I want to speak frankly with you about Autodesk. Our financial results were disappointing, we did not show revenue growth, and we lost some relative market share. But the news is not all bad. We have weathered the worst storm in Autodesk(R) history by shoring up our long-term strategies. We've kept our focus on vertical-market product diversification. We've built a foundation for future growth through internal development and acquisitions. We've established a leadership position in Internet-based CAD. We've taken action across our markets by launching more than 20 products and by developing a fast, compelling, and high-quality AutoCAD(R) Release 14. And every employee has resolved to relaunch Autodesk as a company that delights customers, edges out competitors, and provides long-term stockholder value as we move ahead.

--Carol Bartz

Letter to Our Stockholders

Carol Bartz

CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE BOARD

To say FY97 was a difficult period for Autodesk and its partners would be an understatement. Europe, our largest market last year and one that had previously shown steady growth, entered an economic slowdown. The strength of the US dollar hurt us on foreign currency exchange, and we just didn't achieve the sales volumes expected for AutoCAD(R) Release 13. For the first time in company history, Autodesk experienced a decline in revenue and loss of some relative market share.

But FY97 was also a very exciting business year. We shipped more than 20 new products, carried forward our market group diversification strategy, and pioneered Internet-based design technology. We also entered the final testing stages of what promises to be the fastest, most compelling, and highest quality AutoCAD ever developed--AutoCAD Release 14.

In my letter this year, I want to speak frankly with you about both the good and the bad of FY97. I'll start by reviewing our financial performance.

## FINANCIAL SUMMARY

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Net revenues for the fiscal year ended January 31, 1997, were \$497 million, down approximately 7 percent from the previous fiscal year. Net revenues by geography were down 11 percent in Europe, 10 percent in the Americas, and up approximately 5 percent in Asia/Pacific. Changes in foreign currency exchange rates negatively impacted revenues for the year by more than \$17 million.

While the majority of this slowdown was AutoCAD related, we continued to grow the installed base at 15 percent and maintained AutoCAD upgrade revenue at just over 9 percent of total revenues. We shipped more than 200,000 new copies of AutoCAD for the year, bringing the installed base to more than 1.6 million seats.

Total non-AutoCAD revenues were up 28 percent over the previous year. We grew the installed base for our second-highest revenue generator, AutoCAD LT(R), by 55 percent to 450,000 units. Other year-end installed base numbers include 25,000 units for Mechanical Desktop(TM) software--more than five times its nearest competitor--and 26,000 units for 3D Studio MAX(TM). Total Kinetix(TM) revenues grew only 11 percent; however, revenues for 3D Studio(R) and 3D Studio MAX software posted sequential growth for every quarter and finished the year up 33 percent.

Net income for FY97 was \$42 million, or \$0.88 per share, compared to \$88 million, or \$1.76 per share, in fiscal year 1996. FY97 results include onetime charges of approximately \$0.10 per share related to strategic acquisitions made during the year.

The balance sheet for FY97 year-end remained very strong as reflected by the \$14 million increase in cash from a year ago to \$286 million, despite spending \$67 million repurchasing Autodesk shares and \$10 million on acquisitions. Both receivable and inventory levels improved. In addition, the increased linearity of our business coupled with strong cash collections have led to days sales outstanding lower than they have been in more than five years.

## A YEAR OF CHALLENGES

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Five years ago, we made a decision to rearchitect AutoCAD software to take advantage of the performance potential of object-oriented technology. We made the right decision. That strategy has moved us years ahead of the competition, but it also presented key challenges--and not just from an engineering standpoint. To take advantage of AutoCAD Release 13 and the 32-bit operating system it is designed for, most of our customers had to upgrade their hardware and operating systems. Because object-oriented file formats are structured differently from procedural formats and require different application programming interfaces (APIs), our independent developers also faced some substantial reengineering challenges for their add-on products.

These key challenges have largely been met during the last year. The power and capacity of Pentium(R) systems, and their declining costs, have taken care of the hardware dilemma, and the Windows NT(R) and Windows(R) 95 platforms are firmly established as the operating systems of choice. With AutoCAD Release 13 c4 we achieved Windows 95 compliance with a high-quality product. And developers began delivering impressive object-oriented add-on applications.

So we entered FY97 with high hopes for AutoCAD Release 13 in the last year of its product cycle. But our customers still didn't upgrade in the numbers we expected. To learn firsthand from our AutoCAD Release 12 users why so many were choosing not to buy AutoCAD Release 13, every member of the executive staff and a number of employees conducted a phone survey. Our customers told us that the initial negative perception some users had of AutoCAD Release 13 during its first year on the market discouraged others. In fact, due to the early perception problems almost 30 percent of poll respondents had never even seen a Release 13 demo. Finally, even though AutoCAD Release 13 was the 13th release of AutoCAD software, it was the first release of our new object-oriented architecture, and it behaved like a release-1 product.

We paid attention to what our survey participants said about their quality expectations. (I'll have more to say about that later when I discuss the prerelease testing we've been conducting with AutoCAD Release 14.) But we also received encouraging news from our users. They told us that they still believe in our products and in our company. They'll upgrade from Release 12, they said, when they have a compelling reason to do so. They'll have that reason with AutoCAD Release 14.

#### MAINTAINING FOCUS

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Even though FY97 was a tough financial year for the company, we took significant steps to support our dealers and developers. Lower product inventories and higher specialization demands are the wave of the future, and we helped our channel partners prepare by stepping up our vertical-market training seminars around the world and by continuing to move closer to a just-in-time approach to product inventories.

We're focusing on the Internet as the technology of choice for providing more timely interactivity among our channel partners, developers, and customers. We launched the Autodesk(R) Developer Network, an online product marketing and technical support Extranet that enables our virtual corporation partners to tap into a controlled-access area of our internal communications network. We're taking a similar approach with customer service by developing online product registration and technical support--a key charter of our newly formed Customer Satisfaction Center.



We also sharpened our focus by moving away from non-Windows(R) platforms and concentrating our product-engineering effort on Microsoft(R) Windows NT- and Windows 95-based products. These are the PC platforms of choice, and we gain product integrity and development momentum by focusing on them.

We built up our market groups, adding staff in key areas so that we could continue our product diversification strategy. We'll see the results of these efforts throughout FY98 with the release of several new products.

And we shipped a number of vertical-market products in FY97. The GIS Market Group released AutoCAD Map(TM), the first vertical-market "flavor" of AutoCAD software. The GIS team will follow up in the first half of FY98 with a high-level mapping and GIS analysis product--Autodesk World(TM). Both these products, combined with Autodesk MapGuide(TM), the group's Internet-based server and client software, make this a market group to watch in the coming year. The worldwide mapping/GIS market is growing and the Autodesk GIS Market Group is poised to provide total solutions.

The Mechanical Market Group showed some real "velocity"--its theme for FY97--by launching Mechanical Desktop software and then delivering two upgrades in its first 10 months. Mechanical Desktop has received strong praise from industry-leading companies for its powerful 3D functionality, best-of-class design-through-manufacturing solutions, and low price point. The MCAD team leveraged its third-party development partnership with 15 key mechanical-design firms--the Mechanical Applications Initiative--to land volume sales contracts with such internationally known firms as ABB, Hughes Space and Communications Group, Philips, Siemens, and Wisne. The MCAD Market Group will also release a mechanical-flavored AutoCAD during FY98.

We complemented our Autodesk(R) Mechanical Library series with new subscription products from the AEC Market Group--PlantSpec(TM) and DesignBlocks(TM). These CD-ROM subscriptions contain hundreds of thousands of parts from leading manufacturers in the mechanical, process and power and building/construction industries. We also offered a Web-based subscription option, PartSpec(R) Online, this year.

Our Data Management Market Group continues to study the opportunities in this market. We delivered a successful WorkCenter(R) product two years ago, but our customers' workgroup-size demands have outpaced our original technology. We took important steps to address this customer need in FY97 by entering a joint-development agreement with Documentum, Inc. Utilizing the company's Enterprise Document Management System and middleware technology, future releases of WorkCenter will have the flexibility to support larger design workgroups and to provide enhanced workflow capabilities. We also shipped versions of WorkCenter(R) for Windows 95 and Windows NT this year, and we will be releasing WorkCenter(R) for the Web in Q2-

enabling design teams to use both company intranets and external Internet sites to share controlled-access AutoCAD DWG files.

FY97 also marked the debut of a low-end product that has already made quite an impression on the retail market. The Advanced Product Group's Picture This Home!(TM) Kitchen is the first software title to earn the Good Housekeeping Seal. Featuring point-and-click ease-of-use and photo-quality graphics, this consumer-design product targets impulse shoppers at discount retail outlets. We plan more releases in the Picture This Home! series for FY98.

Kinetix, now in its second year as a separate Autodesk business unit, will build on its early successes with 3D Studio MAX in the multimedia film, video, and special-effects market even as it targets the AEC design visualization space in FY98. And in the first quarter of the new fiscal year, Kinetix will ship Hyperwire(TM) software, a 3D authoring tool for the Web.

And, finally, our AEC Market Group is strategically positioned to provide next generation solutions in the AEC design space as a result of our March 1997 merger with Softdesk. More than any other independent AutoCAD developer, Softdesk has optimized the object-oriented technology introduced with AutoCAD Release 13 by including intelligent objects in its products. Its software enables designers and drafters to design doors and windows, for example, that "remember" their door and window properties, no matter where they are moved within a drawing, which means higher productivity for our customers. The new AEC Market Group will ship key Softdesk(R) products simultaneously with shipment of AutoCAD Release 14 in the second quarter of FY98.

#### BUILDING BEYOND FY97

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During difficult financial periods, companies often show their true character. In their rush to protect the bottom line for the short term, some companies lose sight of long-term strategies--an unwise move, in my opinion. In our company, we had our share of spirited debates during executive staff meetings about whether to modify our short-term strategies, but I'm proud to say that no one argued against investing in Autodesk's long-term growth.

We chose not to introduce a hiring freeze, for example, because we needed to invest in our market groups to develop the kind of products that will help us lead the field in FY98 and beyond. However, during this time I did institute a policy that required my personal approval for each new position. Nor did we scale back our acquisition plans. During Q1, we acquired Creative Imaging Technologies. That acquisition led to the release of Picture This Home! Kitchen by our Advanced Products Group and our entry into the consumer home-decorating and home-remodeling market. The image-analysis technology we acquired along with our purchase of Teleos Research will strengthen future product-development efforts from our Advanced Products Group. Our acquisition of Argus Technologies during the third quarter enabled the GIS Market Group to offer Internet-based solutions with its Autodesk MapGuide products.

We are making the Internet a large part of our development strategy because we think it's inevitable that design teams will migrate to the Net during the next several years. Design is no longer an isolated act. It's a collaborative process involving not only internal team members but customers and contractors frequently located in other cities, states, or even countries. We see a great future for us in bringing design teams together on the Internet. During FY97 we established a leadership position for Internet-enabled CAD by introducing the AutoCAD(R) Release 13 Internet Publishing Kit. Using this technology, AutoCAD users can convert DWG files to our new drawing Web format (DWF) and post them to Web sites. We have built this capability into AutoCAD Release 14. Our Autodesk MapGuide product brings GIS applications to the Web, and we are pioneering the exchange of vector-based digital content on the Web with PartSpec Online.

In addition to making more of our products Web-capable, we will use the Internet more and more for customer service and technical product support.

#### IT'S ALL ABOUT EXECUTION

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Not only did we invest in acquisitions, we also moved ahead with product development across all markets. In FY98 several of our market group teams will introduce second- and third-generation product releases, but none will be more anticipated than the next release from our AutoCAD Market Group. By the time you read this letter, AutoCAD Release 14 software will be in customers' hands. That is if--and only if--the AutoCAD Release 14 team achieves its quality and performance objectives. Judging by the reports we've received from alpha and beta testers, those targets will not only be met--they'll be exceeded.

Our users helped us focus on the theme for this release--performance. They want software that will allow them to produce a maximum number of drawings in a minimum amount of time. Our alpha and beta testers reported early on that the performance is there--faster than even Release 12 for DOS.

But we had another overriding theme for Release 14, and users helped us maintain our focus on this as well. We took steps to build quality in from the very beginning. We began by specifying our product through market research and by collecting customer feedback. Programmers reviewed this data, designed feature areas in detail, then proposed their work to a review board that included quality assurance (QA) testing and marketing staff. The team made sure coding for the proposed features could be completed in a high-quality fashion and tested offline by QA before a feature got checked in to Release 14. In addition to QA staff testing, we ran thousands of automated tests on every build.

We also brought in a corps of Autodesk application engineers and customer "power users" of AutoCAD from all around the world for four separate testing sessions. Their charter was to try to break the program by recreating the thorniest production problems they'd encountered in the field. Programmers and QA team members sat beside them recording their feedback on the highs and lows of prerelease features and performance.

We launched an alpha testing program that in five months grew from 30 testers to more than 1,000. And then in our final testing stage, we drew upon the design talent of more than 16,000 beta testers to polish our product. We are very pleased with the results. We believe AutoCAD Release 14 will restore the confidence of our user base and win new volume accounts.

We are using this build-the-quality-in approach in developing all of our products. And our customers will continue to be a vital part of our development teams.

#### VISION, RESOLVE, PERFORMANCE--THE RELAUNCHING OF AUTODESK

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I want to conclude by talking with you about some intangibles. We made several decisions during this year that can't be easily quantified, but they were decisions that will help return us to a leadership and revenue growth position in FY98.

At the executive staff level, we appointed Eric Herr president and chief operating officer. The sales geographies, the majority of the market groups, and Operations now report to Eric. That has allowed me to devote more of my time to overseeing product development and quality standards and to carrying out long-term growth strategies.

Management and employees are sharing the responsibility for this year's disappointing results by forgoing performance bonuses and delaying salary action until mid-FY98. While this decision helps lower costs, another all-hands effort promises to have an even more profound impact on the company's bottom line. Every employee is taking part in a campaign to return Autodesk to revenue growth and market leadership. We're basing this campaign on five carefully developed key initiatives, and we're calling this effort the "relaunching" of Autodesk.

We have set the performance bar very high with this all-hands campaign, but as I reflect on the past year--in many ways, the most difficult in Autodesk history--I feel confident that we will meet and exceed our own expectations. I feel that way because of the spirit and determination I see in every Autodesk employee. We've been battered a bit, but we are by no means down. Our collective resolve will put Autodesk back on track in FY98.

I also take heart from the loyalty of our stockholders. I want to express my sincere appreciation to those of you who have invested for the long term, who have stood by us during this most trying year, and who have encouraged us to follow our long-term strategies. Indeed we have stayed on course, and we believe you will be rewarded for your faith in Autodesk in FY98 and beyond.

I'll close by saying that the proof is in the performance. Our focus in the coming year will be on just that. All of the hard work that went into product development and into sales and marketing over the past year will provide a great foundation for our future. I'm excited by the many opportunities ahead.

To all of our stockholders, our business partners, our employees and our customers--I extend my personal thanks.

/s/ Carol Bartz

Carol Bartz, Chief Executive Officer and Chairman of the Board

[Performance]

Graphic: [photograph of dartboard]

[P e r f o r m a n c e]

[The proof is in the performance. With a tough year behind us, we move ahead resolved to win back our customers, edge out the competition in all of our markets, and provide tomorrow's technology for today's design needs.]

Graphic: [inverted photograph of dartboard]

## Financial Review

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## Financial Highlights

Net Revenues  
Dollars in Millions

[Graph] - Net Revenues in fiscal years 1995, 1996 and 1997 of \$455 million, \$534 million and \$497 million, respectively.

Cash, Cash Equivalents, and Marketable Securities  
Dollars in Millions

[Graph] - Cash, Cash Equivalents, and Marketable Securities in fiscal years 1995, 1996 and 1997 of \$255 million, \$272 million and \$286 million, respectively.

Net Revenues by Geography

[Graph] - Pg with charts - Net Revenues by Geography

Fiscal year	1995
Europe	35%
Asia/Pacific	21%
Americas	44%

Fiscal year	1996
Europe	40%
Asia/Pacific	21%
Americas	39%

Fiscal year	1997
Europe	38%
Asia/Pacific	24%
Americas	38%

Selected Five-Year Financial Data

	Fiscal year ended January 31,				
(In thousands, except per share data, percentages, and employees)	1997	1996	1995	1994	1993
<b>FOR THE FISCAL YEAR</b>					
Net revenues	\$ 496,693	\$ 534,167	\$ 454,612	\$ 405,596	\$ 353,154
Cost of revenues	64,217	66,812	61,725	63,338	63,652
Marketing and sales	199,939	183,550	154,562	137,788	119,871
Research and development	93,702	78,678	65,176	56,231	51,481
General and administrative	74,280	76,100	65,738	58,536	54,953
Nonrecurring charges	4,738	--	25,500	--	5,000
Income from operations	59,817	129,027	81,911	89,703	58,197
Interest and other income, net	6,695	9,253	7,233	7,055	11,566
Income before income taxes	66,512	138,280	89,144	96,758	69,763
Net income	41,571	87,788	56,606	62,166	43,873
Net cash provided by operating activities	114,183	106,632	104,412	88,853	68,608
<b>AT YEAR END</b>					
Cash, cash equivalents, and marketable securities	\$ 286,308	272,402	255,373	217,011	\$ 192,277
Current assets	310,528	347,834	373,085	279,557	249,341
Total assets	492,233	517,929	482,076	404,874	358,283
Current liabilities	150,171	144,295	154,990	102,316	84,080
Total liabilities	184,119	175,601	158,592	107,995	90,450
Stockholders' equity	243,614	342,328	323,484	296,879	267,833
Working capital	160,357	203,539	218,095	177,241	165,261
Number of employees	2,044	1,894	1,788	1,788	1,565
<b>COMMON STOCK DATA</b>					
Net income per share	\$ 0.88	\$ 1.76	\$ 1.14	\$ 1.25	\$ 0.88
Book value per share	\$ 5.40	\$ 7.39	\$ 6.85	\$ 6.25	\$ 5.58
Dividends paid per share	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
Shares used in computing net income per share	47,190	49,800	49,840	49,740	49,800
Shares outstanding at year end	45,108	46,351	47,241	47,480	48,022
<b>FINANCIAL RATIOS</b>					
Current ratio	2.1	2.4	2.4	2.7	3.0
Return on net revenues	8.4%	16.4%	12.5%	15.3%	12.4%
Return on average assets	8.2%	17.6%	12.8%	16.3%	12.8%
Return on average stockholders' equity	14.2%	26.4%	18.2%	22.0%	16.4%
<b>GROWTH PERCENTAGES</b>					
Net revenues	(7.0%)	17.5%	12.1%	14.8%	28.9%
Net income	(52.6%)	55.1%	(8.9%)	41.7%	(24.1%)
Net income per share	(50.0%)	54.4%	(8.8%)	42.0%	(23.5%)

Management's Discussion and Analysis of  
Financial Condition and Results of Operations

The discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains trend analysis 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. Actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth elsewhere herein, including "Certain Risk Factors Which May Impact Future Operating Results," page 28.

RESULTS OF OPERATIONS

The following table sets forth, as a percentage of net revenues, consolidated statement of income data for the periods indicated. These operating results are not necessarily indicative of results for any future periods.

	Fiscal year ended January 31,		
	1997	1996	1995
Net revenues	100%	100%	100%
Costs and expenses:			
Cost of revenues	13	13	14
Marketing and sales	40	34	34
Research and development	19	15	14
General and administrative	15	14	14
Nonrecurring charges	1	--	6
Total costs and expenses	88	76	82
Income from operations	12	24	18
Interest and other income, net	1	2	2
Income before income taxes	13	26	20
Provision for income taxes	5	9	7
Net income	8%	17%	13%

NET REVENUES Autodesk's consolidated net revenues in fiscal year 1997 were \$496.7 million, which represented a 7 percent decrease from fiscal year 1996 net revenues of \$534.2 million. Revenue decreases in the Americas and Europe were 10 percent and 11 percent, respectively, reflecting slowdowns in the US dealer channel, Germany, Switzerland, and France. The reductions reflect lower sales of AutoCAD(R) and AutoCAD update software as the current version, AutoCAD Release 13, introduced in November 1994, entered the end of its product life cycle. These decreases were partially offset by revenues from new and enhanced products introduced by the Company's various market groups during fiscal year 1997, most notably Mechanical Desktop(TM), AutoCAD LT(R) for Windows(R) 95, AutoCAD Map(TM), 3D Studio MAX(TM), and Picture This Home!(TM) Kitchen. In fiscal year 1997, revenues in the Company's Asia/Pacific region increased 5 percent, reflecting increased sales primarily in Japan and South Korea of AutoCAD, and AutoCAD updates, as well as new products introduced during the year. Net revenues in fiscal year 1996

increased 18 percent over the \$454.6 million posted in fiscal year 1995, reflecting increased revenues in all sales geographies, the most significant occurring in Autodesk's European operations. Growth in fiscal year 1996 revenues resulted from higher sales of AutoCAD, multimedia, data management, and low-end CAD product offerings, most notably AutoCAD LT.

Sales of AutoCAD and AutoCAD updates decreased, both in absolute dollars and as a percentage of revenues, from fiscal year 1996 to fiscal year 1997. AutoCAD and AutoCAD updates represented approximately 70 percent of consolidated revenues in fiscal year 1997 as compared to 80 percent in the prior fiscal year. Shipments of new AutoCAD licenses decreased from 233,000 seats in fiscal year 1996 to 207,000 in fiscal year 1997. AutoCAD update revenues were \$45 million and \$49 million in fiscal years 1997 and 1996, respectively.

Foreign revenues, including exports from the United States, accounted for approximately 65 percent, 64 percent, and 61 percent of revenues in fiscal years 1997, 1996, and 1995, respectively. The stronger value of the dollar, relative to international currencies, primarily the Japanese yen and German mark, negatively affected fiscal year 1997 international revenues by approximately \$17 million compared to fiscal year 1996. The weaker value of the dollar, relative to international currencies, most notably the Japanese yen, German mark, French franc, and Swedish krona, favorably affected fiscal year 1996 international revenues by approximately \$18.8 million compared to fiscal year 1995. Fluctuations in foreign exchange rates did not materially impact operating expenses in fiscal years 1997, 1996, and 1995. A summary of revenues by geographic area is presented in Note 9, page 48, to the consolidated financial statements.

The Company records product returns as a reduction of revenues. In fiscal years 1997, 1996, and 1995, product returns, consisting principally of stock rotation, totaled \$44.3 million or 9 percent of consolidated revenues, \$51.2 million or 9 percent of consolidated revenues, and \$7.7 million or 2 percent of consolidated revenues, respectively. Returns of AutoCAD products accounted for 61 percent, 79 percent, and 75 percent of total product returns in fiscal years 1997, 1996, and 1995, respectively. More specifically, returns of AutoCAD Release 13 products totaled \$25.9 million and \$29.5 million of product returns in fiscal years 1997 and 1996, respectively. Management attributed the increase in product returns in fiscal year 1996 primarily to product rotation associated with performance issues with initial versions of AutoCAD Release 13 software, the number and complexity of associated corrective releases to the software, and ultimately, certain customer dissatisfaction with these corrective releases. Fiscal year 1996 product returns were, to a lesser extent, also impacted by transition and update cycles related to the introduction of new and enhanced products, including AutoCAD(R) Designer, 3D Studio(R), and AutoCAD LT software. The Company, while experiencing an overall decrease in product returns in fiscal year 1997, continued to experience a higher level of product returns relative to periods prior to the introduction of AutoCAD Release 13. This trend reflects an increase in the number of software titles shipping as well as transition and update cycles related to the Company's various software products.

The nature and technical complexity of Autodesk's software is such that defect corrections have occurred in the past and may occur in future releases of AutoCAD and other products offered by the Company. Performance issues associated with AutoCAD Release 13 were more substantial than those the Company had experienced with previous AutoCAD releases. The total cost of corrective actions was also likely more substantial, although the nature of such costs does not lend itself to quantification. The Company believes the corrective costs include not only the salary and other associated expenses for time spent by the engineering staff, but also costs relating to the diversion of resources in Autodesk's distribution channel and sales organization, the potential impact of delays on other research and development projects, and damage to the Autodesk and AutoCAD brand names.

Delays in the introduction of the next version of AutoCAD or other new and enhanced products planned for future periods, or failure to achieve significant customer acceptance for these new products, may have a material adverse effect on the Company's revenues and consolidated results of operations in future periods. Additionally, slowdowns in the Americas, particularly in the US, and in various European

markets, including Germany and France, could also have a material adverse effect on Autodesk's business and consolidated results of operations. The foregoing forward-looking information is based upon the Company's current expectations. Actual results could differ materially for the reasons noted and due to other risks, including, but not limited to, those mentioned above and otherwise discussed under "Certain Risk Factors Which May Impact Future Operating Results," page 28.

**COST OF REVENUES** Cost of revenues includes the purchase of discs and compact disks (CD-ROMs), costs associated with transferring the Company's software to electronic media, printing of user manuals and packaging materials, freight, royalties, amortization of capitalized software development costs, and, in certain foreign markets, software protection locks. When expressed as a percentage of net revenues, cost of revenues increased approximately one-half of 1 percent in fiscal year 1997 as compared to the prior fiscal year. Gross margins in fiscal year 1997 were adversely impacted by the mix of product sales and, to a lesser extent, the impact of increased fixed costs on a lower net revenue base. Revenues from commercial versions of AutoCAD software, which historically have yielded a higher gross margin than many of Autodesk's other commercial products, decreased as a percentage of consolidated revenues. Similarly, the portion of revenue contributed by AutoCAD LT, which has a lower gross margin than commercial versions of AutoCAD, increased as a percentage of total revenues. The improved gross margin in fiscal year 1996 as compared with prior periods resulted from ongoing cost-control measures primarily in the areas of purchasing, disk duplication, assembly, packaging, shipping, and the increased use of lower-cost CD-ROM media. In the future, cost of revenues as a percentage of net revenues may be impacted by the mix of product sales, royalty rates for licensed technology embedded in Autodesk's products, and the geographic distribution of sales.

**MARKETING AND SALES** Marketing and sales expenses include salaries, sales commissions, travel, and facility costs for the Company's marketing, sales, dealer training, and support personnel. These expenses also include programs aimed at increasing revenues, such as advertising, trade shows, and expositions, as well as various sales and promotional programs designed for specific sales channels and end users. Consolidated fiscal year 1997 marketing and sales expense of \$199.9 million increased by 9 percent from the \$183.6 million of expense incurred in the prior fiscal year. When expressed as a percentage of net revenues, marketing and sales expenses increased from 34 percent to 40 percent, reflecting higher personnel costs as well as marketing and sales costs associated with the launch of Mechanical Desktop, AutoCAD LT for Windows 95, AutoCAD Map, Picture This Home! Kitchen software, and other new and enhanced product offerings introduced by the Company's market groups during fiscal year 1997. Fiscal year 1996 marketing and sales expenses increased 19 percent over fiscal year 1995 expense of \$154.6 million due to an increase in personnel costs, sales incentive programs, continued expansion in the sales geographies, and expenses to support the Company's market group structure. The Company expects to continue to invest in marketing and sales of its products, to develop market opportunities, and to promote Autodesk's competitive position. Accordingly, the Company expects marketing and sales expenses to continue to be significant, both in absolute dollars and as a percentage of net revenues.

**RESEARCH AND DEVELOPMENT** Research and development expenses consist primarily of salaries and benefits for software engineers, contract development fees, expenses associated with product translations, costs of computer equipment used in software development, and facilities expenses. During fiscal years 1997, 1996, and 1995, Autodesk incurred \$93.7 million, \$78.7 million, and \$65.2 million of research and development expense, respectively (excluding capitalized software developments costs of \$2.1 million in fiscal year 1995; no software development costs were capitalized during fiscal years 1997 and 1996). Research and development expenses increased both in absolute dollars and as a percentage of revenues in fiscal year 1997 due to the addition of software engineers, expenses associated with the development of new and enhanced products, including the next release of AutoCAD, and the translation of certain

of these products into foreign languages. Also contributing to the increase were operating results associated with fiscal year 1997 business combinations. Fiscal year 1996 research and development spending increased \$11.4 million or 17 percent over fiscal year 1995 expenditures (including capitalized expenses) due to the addition of software engineers, costs associated with the development of new and enhanced products, and product translations. The Company anticipates that research and development expenses will increase in fiscal year 1998 as a result of product development efforts by the Company's market groups and incremental personnel costs resulting from recent business combinations, including the March 1997 acquisition of Softdesk, Inc. ("Softdesk"), a leading supplier of architecture, engineering, and construction applications.

Additionally, the Company intends to continue recruiting and hiring experienced software developers and to consider the licensing and acquisition of complementary software technologies and businesses.

**GENERAL AND ADMINISTRATIVE** General and administrative expenses include the Company's information systems, finance, human resources, legal, purchasing, and other administrative operations. Fiscal year 1997 general and administrative expenses of \$74.3 million decreased 2 percent from the \$76.1 million recorded in the prior fiscal year, reflecting lower professional fees, partially offset by increased expenses to maintain and expand the Company's worldwide information systems. Fiscal year 1996 general and administrative expenses increased 16 percent from fiscal year 1995 spending of \$65.7 million resulting from higher personnel and information systems costs associated with increased operations, partially offset by a reduction in legal expenses. The Company currently expects that general and administrative expenses in the coming year will increase to support spending on infrastructure, including continued investment in Autodesk's worldwide information systems.

**NONRECURRING CHARGES** During fiscal year 1997, the Company acquired the outstanding stock of Teleos Research ("Teleos") and assets from Argus Technologies, Inc. ("Argus"). These business combinations were accounted for using the purchase method of accounting, with the purchase price being principally allocated to capitalized software, purchased technologies, and intangible assets. Approximately \$3.2 million of the Teleos purchase price and \$1.5 million of the Argus purchase price represented the value of in-process research and development that had not yet reached technological feasibility and had no alternative future use. These amounts were charged to operations during fiscal year 1997.

As discussed in Note 4, page 42, to the consolidated financial statements, a \$25.5 million judgment was entered against Autodesk in fiscal year 1995 on a claim of trade secret misappropriation brought by Vermont Microsystems, Inc. ("VMI"). The Company recorded this nonrecurring charge in the fourth quarter of fiscal year 1995. The Company appealed and a reduced judgment was entered against the Company in the amount of \$14.2 million, plus interest. Because the case is still under appeal, Autodesk has not reflected the reduction of damages in its financial statements.

**INTEREST AND OTHER INCOME** Interest income was \$8.8 million, \$10.6 million, and \$8.0 million for fiscal years 1997, 1996, and 1995, respectively. The decrease in fiscal year 1997 interest income from the prior fiscal year resulted from a lower average balance of cash, cash equivalents, and marketable securities, partially offset by higher interest rates on the Company's international investment portfolio when compared to the same period in the prior fiscal year. The increase in fiscal year 1996 interest income from the prior fiscal year resulted from a greater average balance of cash, cash equivalents, and marketable securities, partially offset by lower interest rates on the Company's international portfolio when compared to the prior fiscal year. Interest and other income for fiscal years 1997, 1996, and 1995 was net of interest expense of \$1.8 million, \$1.8 million, and \$0.2 million, respectively, primarily associated with the VMI judgment.

The Company has a hedging program to minimize foreign exchange gains or losses, where possible, from recorded foreign-denominated assets and liabilities. This program involves the use of forward foreign exchange contracts in the primary European and Asian currencies. The Company does not cur-

rently hedge anticipated foreign-denominated revenues and expenses not yet incurred. Gains (losses) resulting from foreign currency transactions primarily in Europe and Asia/Pacific, which are included in interest and other income, were (\$197,000), \$554,000, and (\$1,043,000) in fiscal years 1997, 1996, and 1995, respectively.

**PROVISION FOR INCOME TAXES** Autodesk's effective income tax rate in fiscal year 1997 was 37.5 percent as compared with 36.5 percent in the prior fiscal year. The increase in the effective income tax rate resulted from a onetime charge for acquired in-process research and development associated with the Teleos acquisition, which is not deductible for income tax purposes, partially offset by a reduction in the effective income tax rate attributable to increased foreign earnings, which are taxed at rates lower than the US statutory rate. See Note 3, page 41, to the consolidated financial statements for an analysis of the differences between the US statutory and the effective income tax rates.

#### CERTAIN RISK FACTORS WHICH MAY IMPACT FUTURE OPERATING RESULTS

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Autodesk operates in a rapidly changing environment that involves a number of risks, some of which are beyond the Company's control. The following discussion highlights some of these risks and the possible impact of these factors on future results from operations.

**FLUCTUATIONS IN QUARTERLY OPERATING RESULTS** The Company has experienced fluctuations in operating results in interim periods in certain geographic regions due to seasonality. The Company's operating results in Europe during the third fiscal quarter are usually impacted by a slow summer period while the Asia/Pacific operations typically experience seasonal slowing in the third and fourth fiscal quarters.

The Company typically receives and fulfills a majority of its orders within the quarter, with these orders frequently concentrated in the last weeks or days of a fiscal quarter. As a result, the Company may not learn of revenue shortfalls until late in a fiscal quarter. Additionally, the Company's operating expenses are based in part on its expectations for future revenues and are relatively fixed in the short term. Accordingly, any revenue shortfall below expectations could have an immediate and significant adverse effect on the Company's consolidated results of operations and financial condition.

Similarly, shortfalls in Autodesk's revenues or earnings from levels expected by securities analysts could have an immediate and significant adverse effect on the trading price of the Company's common stock. Moreover, the Company's stock price is subject to the volatility generally associated with technology stocks and may also be affected by broader market trends unrelated to performance.

**PRODUCT CONCENTRATION** Autodesk derives a substantial portion of its revenues from sales of AutoCAD software, AutoCAD updates, and adjacent products which are interoperable with AutoCAD. As such, any circumstances adversely affecting sales of AutoCAD and AutoCAD updates, including such factors as product life cycle, market acceptance, product performance and reliability, reputation, price competition, and the availability of third-party applications, could have a material adverse effect on the Company's business and consolidated results of operations. The current version of AutoCAD, Release 13, is in the later stage of its product life cycle, which is expected to result in lower AutoCAD sales until the next release is introduced. While Autodesk has anticipated a slowdown in AutoCAD revenues based on historical experiences and expected market conditions, any variation from Autodesk's current expectations may have a material impact on Autodesk's business and consolidated results of operations.

A substantial portion of Autodesk's computer-aided design ("CAD") sales, including sales of AutoCAD, AutoCAD updates, and product offerings from Softdesk, are used in the architecture, engineering, and construction ("AEC") industry. Following the combination with Softdesk, the Company

expects to continue to compete favorably through a combination of product features and performance, price, innovation, and the reputations of both Autodesk and Softdesk. Autodesk's historical product sales to the AEC markets, particularly in the US and in various European markets, including Germany, France, and Italy, have been sluggish due in part to general market conditions, and short-term growth is not anticipated for these markets. Other factors which could affect the AEC market, including downward pricing pressure, consolidation resulting in strengthened competitors, product combinations which offer more-comprehensive solutions to customers, technological innovation by competitors, entry of new competitors into the AEC market, and changes in the design construction process resulting in changes in the demand for the type of software produced by the Company, could have a material adverse effect on the Company's business and consolidated results of operations in future periods.

**PRODUCT DEVELOPMENT AND INTRODUCTION** The software industry is characterized by rapid technological change as well as changes in customer requirements and preferences. The software products offered by the Company are internally complex and, despite extensive testing and quality control, may contain errors or defects ("bugs"), especially when first introduced. In fiscal year 1996, Autodesk experienced quality and performance issues associated with AutoCAD Release 13, including issues related to compatibility with certain hardware platforms and peripheral equipment, interoperability problems with products designed to work in conjunction with AutoCAD Release 13, and other issues associated with the software's object-oriented design. These factors resulted in a high rate of product returns in fiscal year 1996. While Autodesk believes the AutoCAD Release 13 performance issues have been satisfactorily addressed, there can be no assurance that defects or errors will not be discovered in future versions of AutoCAD and other software products offered by the Company. Such defects or errors could result in corrective releases to the Company's software products, damage to Autodesk's reputation, loss of revenues, an increase in product returns, or lack of market acceptance of its products, any of which could have a material and adverse effect on the Company's business and consolidated results of operations.

The Company believes that its future results will depend largely upon its ability to offer products that compete favorably with respect to price, reliability, performance, range of useful features, continuing product enhancements, reputation, and training. Delays or difficulties, including the discovery of product defects similar to those experienced with AutoCAD Release 13, may result in the delay or cancellation of planned development projects, and could have a material and adverse effect on the Company's business and consolidated results of operations. Further, increased competition in the market for design, mapping, multimedia, data management, or data publishing software products could also have a negative impact on the Company's business and consolidated results of operations.

Certain of the Company's historical product development activities have been performed by independent firms and contractors, while other technologies are licensed from third parties. Autodesk generally either owns or has an exclusive license for use of the software developed by third parties. Because talented development personnel are in high demand, there can be no assurance that independent developers, including those who have developed products for the Company in the past, will be able to provide development support to the Company in the future. Similarly, there can be no assurance that the Company will be able to obtain and renew license agreements on favorable terms, if at all, and any failure to do so could have a material adverse effect on the Company's business and consolidated results of operations.

Autodesk's business strategy has historically depended in large part on its relationships with third-party developers, who provide products that expand the functionality of Autodesk's design software. In the AEC market in particular, a number of developer partners, including Softdesk, have contributed to demand for AutoCAD software by providing application products with high levels of functionality. Because Softdesk has products which compete with the product offerings of some of these developers, the merger with Softdesk may negatively impact certain of Autodesk's relationships with these third parties. However, Autodesk's commitment to maintain an open architecture for AutoCAD and for certain of Softdesk's



products should permit third-party developers to continue to develop and market specific applications. While Autodesk's management believes that the Softdesk merger will ultimately improve the quality of the platform on which developer products are based and permit achievement of higher functionality and greater customer satisfaction, thereby benefiting Autodesk and the developer base, there can be no assurance that certain developers will not elect to support other products or otherwise experience disruption in product development and delivery cycles. Such disruption in particular markets could negatively impact these third-party developers and end users during the transitional period, which could have a material adverse effect on Autodesk's business and consolidated results of operations.

**INTERNATIONAL REVENUES** The Company anticipates that international revenues will continue to account for a significant portion of its consolidated revenues. Risks inherent in the Company's international sales include the following: unexpected changes in regulatory practices and tariffs; difficulties in staffing and managing foreign operations; longer collection cycles; potential changes in tax laws; greater difficulty in protecting intellectual property; and the impact of fluctuating exchange rates between the US dollar and foreign currencies in markets where Autodesk does business. During fiscal year 1997, changes in exchange rates from the same period of the prior fiscal year adversely impacted revenues, principally due to changes in the Japanese yen and German mark. The Company's international results may also be impacted by general economic and political conditions in these foreign markets, including an ongoing slowdown in the German market experienced since the middle of fiscal year 1997, and its adverse impact on other European markets. There can be no assurance that these and other factors will not have a material adverse effect on the Company's future international sales and consequently, on the Company's business and consolidated results of operations.

**DEPENDENCE ON DISTRIBUTION CHANNELS** The Company sells its software products primarily to distributors and dealers (value-added resellers, or "VARs"). Autodesk's ability to effectively distribute products depends in part upon the financial and business condition of its VAR network. Although the Company has not to date experienced any material problems with its VAR network, computer software dealers and distributors are typically not highly capitalized and have experienced difficulties during times of economic contraction and may do so in the future. While no single customer accounted for more than 10 percent of the Company's consolidated revenues in fiscal years 1997, 1996, or 1995, the loss of or a significant reduction in business with any one of the Company's major international distributors or large US dealers could have a material adverse effect on the Company's business and consolidated results of operations in future periods.

**PRODUCT RETURNS** With the exception of certain European distributors, agreements with the Company's VARs do not contain specific product-return privileges. However, Autodesk permits its VARs to return product in certain instances, generally during periods of product transition and during update cycles. In fiscal year 1996, the Company experienced a higher level of product returns than in fiscal years 1995 and 1994, most notably in the US, which management attributed to performance issues associated with initial versions of AutoCAD Release 13 software. While the Company experienced a decrease in product returns in absolute dollars during fiscal year 1997, management anticipates that product returns in future periods will continue to be impacted by product update cycles, new product releases, and software quality.

Autodesk establishes reserves, including reserves for stock balancing and product rotation, based on estimated future returns of product and after taking into account channel inventory levels, the timing of new product introductions, and other factors. While the Company maintains strict measures to monitor channel inventories and to provide appropriate reserves, actual product returns may differ from the Company's reserve estimates, and such differences could be material to Autodesk's consolidated financial statements.

**INTELLECTUAL PROPERTY** The Company relies on a combination of patent, copyright, and trademark laws, trade secrets, confidentiality procedures, and contractual provisions to protect its proprietary rights. Despite such efforts to protect the Company's proprietary rights, unauthorized parties may attempt to copy aspects of the Company's software products or to obtain and use information that Autodesk regards as proprietary. Policing unauthorized use of the Company's software products is time-consuming and costly. Although the Company is unable to measure the extent to which piracy of its software products exists, software piracy can be expected to be a persistent problem. There can be no assurance that the Company's means of protecting its proprietary rights will be adequate or that its competitors will not independently develop similar technology. The Company expects that software product developers will be increasingly subject to infringement claims as the number of products and competitors in its industry segments grows and the functionality of products in different industry segments overlaps. There can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted against the Company or that any such assertions will not have a material adverse effect on its business. Any such claims, whether with or without merit, could be time-consuming, result in costly litigation and diversion of resources, cause product shipment delays, or require the Company to enter into royalty or licensing agreements. Such royalty or license agreements, if required, may not be available on acceptable terms, if at all, which could have a material adverse effect on the Company's business and consolidated results of operations.

The Company also relies on certain software that it licenses from third parties, including software that is integrated with internally developed software and used in its products to perform key functions. There can be no assurance that these third-party software licenses will continue to be available on commercially reasonable terms, or that the software will 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 have a material adverse effect on the Company's business and consolidated results of operations.

**RISKS ASSOCIATED WITH RECENT ACQUISITIONS** Autodesk consummated several acquisitions in fiscal year 1997, including acquisitions of Teleos, Argus, and Creative Imaging Technologies. During the first quarter of fiscal year 1998, the Company completed its acquisition of all of the outstanding stock of Softdesk in a transaction to be accounted for under the purchase method of accounting. The Company is in the process of integrating the operations acquired in the Softdesk merger with its own. There can be no assurance that the anticipated benefits of recently concluded business combinations will be realized. The Softdesk merger entails a number of risks, including managing a larger and more geographically disparate business. In addition, recent mergers could require significant additional management attention. If Autodesk is unsuccessful in integrating and managing recently acquired businesses, the Company's business and consolidated results of operations in future periods could be adversely affected.

#### LIQUIDITY AND CAPITAL RESOURCES

Working capital, which consists principally of cash, cash equivalents, and marketable securities, was \$160.4 million at January 31, 1997, compared to \$203.5 million at January 31, 1996. Cash, cash equivalents, and marketable securities, which consist primarily of high-quality municipal bonds, tax-advantaged money market instruments, and US treasury notes, totaled \$286.3 million at January 31, 1997, compared to \$272.4 million at January 31, 1996. The \$13.9 million increase in cash, cash equivalents, and marketable securities was due primarily to cash generated from operations (\$114.2 million) and cash proceeds

from the issuance of shares through employee stock option and stock purchase programs (\$23.3 million). This increase was partially offset by cash used to repurchase shares of the Company's common stock under an ongoing, systematic repurchase program (\$67.3 million); to purchase computer equipment, furniture, and leasehold improvements (\$17.4 million); to pay dividends on the Company's common stock (\$10.9 million); and to acquire complementary software technologies and businesses (\$9.9 million).

During fiscal years 1997, 1996, and 1995, the Company repurchased and retired 2,217,000, 2,671,000, and 2,990,000 shares of its common stock at average per share repurchase prices of \$30.34, \$40.43, and \$30.05, respectively, pursuant to repurchase programs approved by its Board of Directors.

In August 1996, the Company announced a stock repurchase program under which the Company may purchase up to 5 million shares of common stock in open market transactions as market and business conditions warrant. The Company may also utilize equity options as part of its repurchase program. This program is in addition to shares previously reserved pursuant to Autodesk's ongoing and systematic repurchase program.

In connection with the new repurchase program, the Company sold put warrants to an independent third party in September 1996 that entitle the holder of the warrants to sell 3 million shares of common stock to the Company at \$21.50 per share. Additionally, the Company purchased call options that entitle the Company to buy 2 million shares of its common stock at \$25.50 per share. The put and call options expire in September 1997. The premiums received with respect to the equity options totaled \$8.1 million and equaled the premiums paid. Consequently, there was not an exchange of cash. The amount related to the Company's maximum potential repurchase obligation under the put warrants has been reclassified from stockholders' equity to put warrants in the accompanying consolidated financial statements. The Company has the right to settle the put warrants with stock or a cash settlement equal to the difference between the exercise price and market value at the date of exercise. These securities had no significant dilutive effect on net income per share in fiscal year 1997.

The Company has an unsecured \$40 million bank line of credit, of which \$20 million is guaranteed, that may be used from time to time to facilitate short-term cash flow. At January 31, 1997, there were no borrowings outstanding under this credit agreement which expires in January 1999.

The Company's principal commitments at January 31, 1997, consisted of obligations under operating leases for facilities.

At January 31, 1997 and 1996, the Company's principal unhedged monetary assets denominated in currencies other than the US dollar consisted of cash, cash equivalents, and marketable securities.

Longer-term cash requirements, other than normal operating expenses, are anticipated for development of new software products and enhancement of existing products; financing anticipated growth; dividend payments; repurchases of the Company's common stock; and the acquisition of businesses, software products, or technologies complementary to the Company's business. The Company believes that its existing cash, cash equivalents, marketable securities, available line of credit, and cash generated from operations will be sufficient to satisfy its currently anticipated cash requirements for fiscal year 1998.

Autodesk, Inc.  
Consolidated Statement of Income

(In thousands, except per share data)	Fiscal year ended January 31,		
	1997	1996	1995
Revenues	\$ 509,630	\$ 546,884	\$ 465,278
Direct commissions	12,937	12,717	10,666
Net revenues	496,693	534,167	454,612
Costs and expenses:			
Cost of revenues	64,217	66,812	61,725
Marketing and sales	199,939	183,550	154,562
Research and development	93,702	78,678	65,176
General and administrative	74,280	76,100	65,738
Nonrecurring charges	4,738	--	25,500
Total costs and expenses	436,876	405,140	372,701
Income from operations	59,817	129,027	81,911
Interest and other income, net	6,695	9,253	7,233
Income before income taxes	66,512	138,280	89,144
Provision for income taxes	24,941	50,492	32,538
Net income	\$ 41,571	\$ 87,788	\$ 56,606
Net income per share	\$ 0.88	\$ 1.76	\$ 1.14
Shares used in computing net income per share	47,190	49,800	49,840

See accompanying notes.

Autodesk, Inc.  
Consolidated Balance Sheet

(In thousands)	January 31,	
	1997	1996
-----		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,814	\$ 129,305
Marketable securities	117,971	64,001
Accounts receivable, net of allowance for doubtful accounts of \$6,635 (\$6,731 in 1996)	68,577	93,919
Inventories	7,340	9,685
Deferred income taxes	35,616	33,769
Prepaid expenses and other current assets	16,210	17,155
	-----	-----
Total current assets	310,528	347,834
Marketable securities, including a restricted balance of \$28,000 at January 31, 1997 and 1996	103,523	79,096
Computer equipment, furniture, and leasehold improvements:		
Computer equipment and furniture	103,903	106,643
Leasehold improvements	17,818	21,100
Accumulated depreciation	(77,671)	(78,778)
	-----	-----
Net computer equipment, furniture, and leasehold improvements	44,050	48,965
Purchased technologies and capitalized software	15,916	22,141
Other assets	18,216	19,893
	-----	-----
	\$ 492,233	\$ 517,929
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 24,557	\$ 24,547
Accrued compensation	18,099	22,441
Accrued income taxes	75,061	65,517
Other accrued liabilities	32,454	31,790
	-----	-----
Total current liabilities	150,171	144,295
Deferred income taxes	2,974	1,912
Litigation accrual	29,328	27,640
Other liabilities	1,646	1,754
Commitments and contingencies		
Put warrants	64,500	--
Stockholders' equity:		
Common stock, \$0.01 par value; 100,000 shares authorized, 45,108 issued and outstanding (46,351 in 1996)	147,091	140,765
Retained earnings	106,587	191,109
Foreign currency translation adjustment	(10,064)	10,454
	-----	-----
Total stockholders' equity	243,614	342,328
	-----	-----
	\$ 492,233	\$ 517,929
	=====	=====

See accompanying notes.

Autodesk, Inc.  
Consolidated Statement of Cash Flows

(In thousands)	Fiscal year ended January 31,		
	1997	1996	1995
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 41,571	\$ 87,788	\$ 56,606
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	34,833	25,247	24,989
Charge for acquired in-process research and development	4,738	--	--
Changes in operating assets and liabilities, net of business combinations:			
Accounts receivable	25,365	(7,579)	(15,068)
Inventories	2,345	(3,850)	3,034
Deferred income taxes	(785)	(4,567)	(18,334)
Prepaid expenses and other current assets	890	(6,443)	(2,898)
Accounts payable and accrued liabilities	(4,318)	3,721	48,017
Accrued income taxes	9,544	12,315	8,066
Net cash provided by operating activities	114,183	106,632	104,412
<b>INVESTING ACTIVITIES</b>			
Purchases of available-for-sale marketable securities	(683,550)	(224,655)	(74,682)
Maturities of available-for-sale marketable securities	604,727	141,893	145,754
Purchase of computer equipment, furniture, and leasehold improvements	(17,409)	(16,306)	(20,019)
Business combinations, net of cash acquired	(9,908)	(7,194)	(4,469)
Purchases of software technologies and capitalization of software costs	(995)	(1,409)	(4,958)
Other	(16,698)	8,042	4,642
Net cash provided (used) by investing activities	(123,833)	(99,629)	46,268
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of common stock	23,307	46,424	59,912
Repurchase of common stock	(67,269)	(107,976)	(89,851)
Dividends paid	(10,879)	(11,184)	(11,307)
Net cash used in financing activities	(54,841)	(72,736)	(41,246)
Net increase (decrease) in cash and cash equivalents	(64,491)	(65,733)	109,434
Cash and cash equivalents at beginning of year	129,305	195,038	85,604
Cash and cash equivalents at end of year	\$ 64,814	\$ 129,305	\$ 195,038

See accompanying notes.

Autodesk, Inc.  
Consolidated Statement of Stockholders' Equity

Three-year period ended January 31, 1997

(In thousands)	Common Stock		Retained earnings	Foreign currency translation adjustment	Total stockholders' equity
	Shares	Amount			
Balances, January 31, 1994	47,480	\$ 43,769	\$ 257,052	\$ (3,942)	\$ 296,879
Common shares issued under stock option and stock purchase plans	2,751	49,467			49,467
Tax effect of stock options		10,445			10,445
Net income			56,606		56,606
Dividends paid			(11,307)		(11,307)
Repurchase of common shares	(2,990)	(2,811)	(87,040)		(89,851)
Foreign currency translation adjustment				11,492	11,492
Unrealized losses on available-for-sale securities, net of tax			(247)		(247)
Balances, January 31, 1995	47,241	100,870	215,064	7,550	323,484
Common shares issued under stock option and stock purchase plans	1,781	35,712			35,712
Tax effect of stock options		10,712			10,712
Net income			87,788		87,788
Dividends paid			(11,184)		(11,184)
Repurchase of common shares	(2,671)	(6,529)	(101,447)		(107,976)
Foreign currency translation adjustment				2,904	2,904
Unrealized gains on available-for-sale securities, net of tax			888		888
Balances, January 31, 1996	46,351	140,765	191,109	10,454	342,328
Common shares issued under stock option and stock purchase plans	974	20,729			20,729
Tax effect of stock options		2,578			2,578
Reclassification of put warrants		(9,870)	(54,630)		(64,500)
Net income			41,571		41,571
Dividends paid			(10,879)		(10,879)
Repurchase of common shares	(2,217)	(7,111)	(60,158)		(67,269)
Foreign currency translation adjustment				(20,518)	(20,818)
Unrealized losses on available-for-sale securities, net of tax			(426)		(426)
Balances, January 31, 1997	45,108	\$ 147,091	\$ 106,587	\$ (10,064)	\$ 243,614

See accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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**OPERATIONS** Autodesk, Inc. ("Autodesk" or the "Company"), is a leader in the development and marketing of design and drafting software and multimedia tools, primarily for the business and professional environment. Autodesk's flagship product, AutoCAD, is one of the world's leading computer-aided design ("CAD") tools, with an installed base of 1.6 million seats worldwide.

**PRINCIPLES OF CONSOLIDATION** The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The asset and liability accounts of foreign subsidiaries are translated from their respective functional currencies at the rates in effect at the balance sheet date, and revenue and expense accounts are translated at weighted average rates during the period. Foreign currency translation adjustments are reflected as a separate component of stockholders' equity. Gains (losses) resulting from foreign currency transactions, which are included in interest and other income, were (\$197,000), \$554,000, and (\$1,043,000) in fiscal years 1997, 1996, and 1995, respectively.

**BUSINESS COMBINATIONS** During fiscal year 1997 the Company acquired certain businesses for an aggregate of \$9.9 million. Included in these acquisitions were the purchases of assets from Creative Imaging Technologies, Inc. ("CIT"), CadZooks, Inc., Argus Technologies, Inc. ("Argus"), as well as the outstanding stock of Teleos Research ("Teleos"). Approximately \$3.2 million of the Teleos purchase price and \$1.5 million of the Argus purchase price represented the value of in-process research and development that had not yet reached technological feasibility and had no alternative future use. These amounts were charged to income from operations during fiscal year 1997 and classified as nonrecurring charges in the statement of income. In fiscal year 1996, the Company acquired certain assets of Automated Methods (Pty) Ltd. and made final payments to the former stockholders of Ithaca Software, which was acquired by the Company in August 1993, based on revenues as specified in the acquisition agreement. Cash payments in fiscal year 1996 associated with these transactions totaled approximately \$7.2 million. All of these acquisitions were accounted for using the purchase method of accounting with the purchase price being principally allocated to purchased technologies and capitalized software, intangible assets, and for the Teleos and Argus acquisitions, in-process research and development. The Company is amortizing these intangible assets on a straight-line basis over two-to-five years. The operating results of the acquired businesses, which have not been material in relation to those of the Company, have been included in the accompanying consolidated financial statements from their respective dates of acquisition. Additional consideration may also be payable to the former stockholders of CIT, Argus, and Teleos based on product milestones and operating results, which are expected to be allocated to intangible assets and amortized on a straight-line basis over two-to-five year periods.

**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 the financial statements and accompanying notes. Actual results could differ from those estimates.

**FOREIGN CURRENCY TRANSLATION** The Company hedges a portion of its exposure on certain intercompany receivables and payables denominated in foreign currencies using forward foreign exchange contracts in European and Asian foreign currencies. Gains and losses associated with exchange rate



fluctuations on forward foreign exchange contracts are recorded currently in interest and other income and offset corresponding gains and losses on the foreign currency assets being hedged. The costs of forward foreign exchange contracts are amortized on a straight-line basis over the life of the contract as interest and other income.

**CASH AND CASH EQUIVALENTS** The Company 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, consisting principally of high-quality municipal bonds, tax-advantaged money market instruments, and US treasury notes, are stated at fair value. Marketable securities maturing within one year that are not restricted are classified as current assets.

The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such classification as of each balance sheet date. The Company has classified 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.

**CONCENTRATION OF CREDIT RISK** The Company places its cash, cash equivalents, and marketable securities with financial institutions with high credit standing and, by policy, limits the amounts invested with any one institution, type of security, and issuer. Autodesk's accounts receivable are derived from software sales to a large number of dealers and distributors in the Americas, Europe, and Asia/Pacific. The Company performs ongoing evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary, but generally requires no collateral.

**INVENTORIES** Inventories, consisting principally of disks and technical manuals, are stated at the lower of cost (determined on the first-in, first-out method) or market.

**COMPUTER EQUIPMENT, FURNITURE, AND LEASEHOLD IMPROVEMENTS** Computer equipment and furniture are depreciated using the straight-line method over the estimated useful lives of the assets, which range from two to ten years. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life or the lease term.

**PURCHASED TECHNOLOGIES AND CAPITALIZED SOFTWARE** Costs incurred in the initial design phase of software development are expensed as incurred. Once the point of technological feasibility is reached, production costs (programming and testing) are capitalized. Certain acquired software-technology rights are also capitalized. Capitalized software costs are amortized ratably as revenues are recognized, but not less than on a straight-line basis over two- to seven-year periods. Amortization expense was \$9,563,000, \$11,765,000, and \$7,634,000 in fiscal years 1997, 1996, and 1995, respectively. The actual lives of the Company's purchased technologies or capitalized software may differ from the Company's estimates, and such differences could cause carrying amounts of these assets to be reduced materially.

**REVENUE RECOGNITION** Autodesk's revenue recognition policy is in compliance with the provisions of the American Institute of Certified Public Accountants' Statement of Position 91-1, "Software Revenue Recognition." Revenue is recognized at the time of shipment, provided that no significant vendor obligations exist and collection of the resulting receivable is deemed probable. A portion of revenues related to certain customer consulting and training obligations is deferred, while costs associated with certain post-sale customer obligations are accrued.

Autodesk establishes allowances for product returns, including allowances for stock balancing and product rotation, based on estimated future returns of product and after taking into consideration channel inventory levels at its resellers, the timing of new product introductions, and other factors. These allowances are recorded as direct reductions of accounts receivable. While the Company maintains strict

measures to monitor channel inventories and to provide appropriate allowances, actual product returns may differ from the Company's estimates, and such differences could be material to the consolidated financial statements.

**ROYALTIES** The Company licenses software used to develop components of AutoCAD, Mechanical Desktop, 3D Studio MAX, and certain other software products. Royalties are payable to developers of the software at various rates and amounts generally based on unit sales or revenues. Royalty expense was \$8,000,000, \$6,102,000, and \$5,944,000 in fiscal years 1997, 1996, and 1995, respectively. Such costs are included as a component of cost of revenues.

**NET INCOME PER SHARE** Net income per share is based on the weighted average number of outstanding common shares and dilutive common stock equivalents.

**COMMON STOCK SPLIT** In October 1994, Autodesk's stockholders approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 50,000,000 to 100,000,000 shares and to effect a 2-for-1 split of the Company's common stock in the form of a 100 percent common stock dividend. All share and per share amounts have been restated to reflect the stock split.

**RECENTLY ISSUED ACCOUNTING STANDARDS** The Company adopted Financial Accounting Standards Board Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("FAS No. 121") in fiscal year 1997. FAS No. 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Adoption of this statement did not have a material effect on the Company's consolidated financial statements.

**RECLASSIFICATIONS** A nonrecurring charge recorded in fiscal year 1995 related to a legal matter more fully discussed in Note 4, Litigation Accrual, has been reclassified to a line item within income from operations in the Company's consolidated statement of income. Previously, such amount was recorded as a charge after income from operations.

NOTE 2. FINANCIAL INSTRUMENTS

**FAIR VALUES OF FINANCIAL INSTRUMENTS** Estimated fair values of financial instruments are based on quoted market prices. The carrying amounts and fair value of the Company's financial instruments are as follows:

	January 31,			
	1997		1996	
(In thousands)	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 64,814	\$ 64,814	\$ 129,305	\$ 129,305
Marketable securities	221,494	221,494	143,097	143,097
Forward foreign currency contracts	(458)	(458)	(143)	(143)

FOREIGN CURRENCY CONTRACTS The Company enters into forward foreign currency contracts to hedge the value of assets and liabilities recorded in foreign currencies against fluctuations in exchange rates. Substantially all forward foreign currency contracts entered into by the Company have maturities of 60 days or less. The notional amounts of foreign currency contracts were \$35.7 million and \$15.5 million at January 31, 1997 and 1996, respectively, and were predominantly to buy Swiss francs. 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 the Company to the counterparties.

MARKETABLE SECURITIES Marketable securities include the following available-for-sale securities at January 31, 1997 and 1996:

(In thousands)	January 31, 1997			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Short-term:				
Municipal bonds	\$ 70,325	\$ 43	\$ --	\$ 70,368
Preferred stock	2,000	--	--	2,000
Time deposits	45,603	--	--	45,603
	-----	-----	-----	-----
	117,928	43	--	117,971
Long-term:				
Municipal bonds	72,565	--	(74)	72,491
US Treasury notes	28,592	--	(592)	28,000
Preferred stock and other	3,022	10	--	3,032
	-----	-----	-----	-----
	104,179	10	(666)	103,523
	-----	-----	-----	-----
	\$ 222,107	\$ 53	\$ (666)	\$ 221,494
	=====	=====	=====	=====

(In thousands)	January 31, 1997			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Short-term:				
Municipal bonds	\$ 30,439	\$ 85	\$(1)	\$ 30,523
Time deposits	33,478	--	--	33,478
	-----	-----	-----	-----
	63,917	85	(1)	64,001
Long-term:				
Municipal bonds	47,380	694	(3)	48,071
US Treasury notes	29,397	608	(3)	30,002
Time deposits and other	1,008	15	--	1,023
	-----	-----	-----	-----
	77,785	1,317	(6)	79,096
	-----	-----	-----	-----
	\$141,702	\$ 1,402	\$(7)	\$ 143,097
	=====	=====	=====	=====

Long-term US Treasury notes included a restricted balance of \$28.0 million at January 31, 1997 and 1996 (see Note 4). The contractual maturities of Autodesk's short-term marketable securities at January 31, 1997, were one year or less while the Company's long-term marketable securities had contractual maturities as follows: \$52.1 million between one and two years; \$17.3 million maturing in three years; \$28.8 million maturing in four to five years; and \$5.3 million beyond five years. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay or call obligations without prepayment penalties. Realized gains and losses on sales of available-for-sale securities were immaterial in fiscal years 1997 and 1996. The cost of securities sold is based on the specific identification method.

NOTE 3. INCOME TAXES

The provision for income taxes consists of the following:

(In thousands)	Fiscal year ended January 31,		
	1997	1996	1995
Federal:			
Current	\$ 5,546	\$ 26,711	\$ 29,203
Deferred	1,133	(3,392)	(13,169)
State:			
Current	4,796	8,779	9,417
Deferred	(1,148)	(856)	(3,839)
Foreign:			
Current	15,503	19,569	12,252
Deferred	(889)	(319)	(1,326)
	\$ 24,941	\$ 50,492	\$ 32,538

The principal reasons that the aggregate income tax provisions differ from the US statutory rate of 35 percent are as follows:

(In thousands)	Fiscal year ended January 31,		
	1997	1996	1995
Income tax provision at statutory rate	\$ 23,279	\$ 48,398	\$ 31,200
Foreign income taxed at rates different from the US statutory rate	(1,644)	(7,863)	(4,916)
State income taxes, net of federal benefit	2,371	8,616	4,802
Tax-exempt interest	(1,348)	(1,668)	(1,608)
Acquired in-process research and development	1,130	--	--
Other	1,153	3,009	3,060
	\$ 24,941	\$ 50,492	\$ 32,538

Significant sources of the Company's deferred tax assets and liabilities are as follows:

(In thousands)	January 31,	
	1997	1996
Accrued state income taxes	\$ 5,562	\$ 5,409
Accrued legal judgment, including accrued interest	13,822	12,821
Reserves for product returns and bad debts	7,864	9,110
Accrued compensation and benefits	2,950	2,994
Capitalized software	6,270	3,678
Unremitted earnings of certain subsidiaries	(6,018)	--
Other, net	2,192	(2,105)
Net deferred tax assets	\$ 32,642	\$ 31,857
Recorded as:		
Current deferred assets	\$ 35,616	\$ 33,769
Non-current deferred liability	(2,974)	(1,912)
	\$ 32,642	\$ 31,857

No provision has been made for federal income taxes on unremitted earnings of certain of the Company's foreign subsidiaries (cumulative \$140 million at January 31, 1997) since the Company plans to indefinitely reinvest all such earnings. At January 31, 1997, the unrecognized deferred tax liability for these earnings was approximately \$33 million. Foreign pre-tax income was \$45.0 million, \$64.4 million, and \$34.3 million in fiscal years 1997, 1996, and 1995, respectively.

The Company's United States income tax returns for fiscal years ended January 31, 1992 through 1995 are under examination by the Internal Revenue Service. Management believes that adequate amounts have been provided for any adjustments that may ultimately result from these examinations.

Cash payments for income taxes were \$13,605,000, \$32,032,000, and \$32,361,000 for fiscal years 1997, 1996, and 1995, respectively.

#### NOTE 4. LITIGATION ACCRUAL

In December 1994, the Company recorded a \$25.5 million litigation charge as the result of a judgment against the Company on a claim of trade secret misappropriation brought by Vermont Microsystems, Inc. ("VMI"). The Company appealed that judgment and a reduced judgment was subsequently entered against the Company in the amount of \$14,209,000, plus interest. Because the case is still under appeal, the Company has not reflected the reduction of damages in the accompanying consolidated financial statements.

The Company was required by statute to post collateral approximating the amount of the initial judgment plus accrued interest. At January 31, 1997, the Company's long-term marketable securities included a balance of \$28.0 million which is restricted as to its use until final adjudication of this matter.

#### NOTE 5. COMMITMENTS AND CONTINGENCIES

The Company leases office space and equipment under noncancelable lease agreements. The leases generally provide that the Company pay taxes, insurance, and maintenance expenses related to the leased assets. Future minimum lease payments for fiscal years ended January 31 are as follows: \$16.5 million in

1998; \$14.5 million in 1999; \$12.3 million in 2000; \$9.0 million in 2001; \$6.7 million in 2002; and \$27.2 million thereafter.

Rent expense was \$17,358,000, \$16,992,000, and \$18,221,000 in fiscal years 1997, 1996, and 1995, respectively.

The Company has a line of credit permitting short-term, unsecured borrowings of up to \$40 million, which may be used from time to time to facilitate short-term cash flow. There were no borrowings under this agreement at January 31, 1997 which expires in January 1999.

The Company is a party to various legal proceedings arising from the normal course of business activities. In management's opinion, resolution of these matters is not expected to have a material adverse impact on the Company's consolidated results of operations or its financial position. However, depending on the amount and timing, an unfavorable resolution of a matter could materially affect the Company's future results of operations or cash flows in a particular period.

NOTE 6. EMPLOYEE BENEFIT PLANS

**STOCK OPTION PLANS** Under the Company's stock option plans, incentive and nonqualified stock options may be granted to officers, employees, directors, and consultants to purchase shares of the Company's common stock. Options vest over periods of one to five years and generally have terms of up to ten years. A maximum of 24,040,000 shares of common stock have been authorized for issuance under the plans. The exercise price of the stock options is determined by the Company's Board of Directors on the date of grant and is at least equal to the fair market value of the stock on the grant date.

Stock option activity is as follows:

(Shares in thousands)	Number of shares	Price per share	Weighted average price per share
Options outstanding at January 31, 1994	8,710	\$ 12.56-\$ 28.19	\$ 18.95
Granted	2,123	24.25- 38.25	29.72
Exercised	(2,416)	12.56- 25.38	17.99
Canceled	(420)	13.38- 30.25	21.28
Options outstanding at January 31, 1995	7,997	12.56- 38.25	21.97
Granted	2,546	35.25- 49.25	44.83
Exercised	(1,484)	12.56- 30.50	19.19
Canceled	(368)	13.38- 49.25	30.78
Options outstanding at January 31, 1996	8,691	13.38- 49.25	28.75
Granted	5,271	0.01- 42.00	29.99
Exercised	(651)	0.01- 38.25	19.66
Canceled	(598)	16.25- 49.25	36.98
Options outstanding at January 31, 1997	12,713	13.38- 49.25	28.11
Options exercisable at January 31, 1997	4,912	13.38- 49.00	25.52
Options available for grant at January 31, 1997	2,350		

Certain employees have disposed of stock acquired through the exercise of incentive stock options earlier than the mandatory holding period required for such options. The tax benefits allowed to the Company because of these dispositions, together with the tax benefits realized from the exercise of nonqualified stock options, have been recorded as increases to common stock.

The following table summarizes information about options outstanding at January 31, 1997.

(Shares in thousands)	Number of shares	Outstanding options weighted average contractual life (in years)	Weighted average exercise price
-----			
Range of per share exercise prices			
\$13.38-\$23.00	2,733	4.33	\$ 17.18
\$23.13-\$30.25	6,524	6.38	\$ 25.62
\$30.50-\$49.25	3,456	8.86	\$ 41.53
	-----		
	12,713	6.61	\$ 28.11
	=====		

The following table summarizes information about outstanding and exercisable options at January 31, 1997.

(Shares in thousands)	Number of shares	Weighted average exercise price
-----		
Range of per share exercise prices		
\$13.38-\$23.00	2,198	\$ 17.03
\$23.13-\$30.25	1,888	\$ 26.96
\$30.50-\$49.25	826	\$ 43.80
	-----	
	4,912	\$ 25.52
	=====	

These options will expire if not exercised at specific dates ranging from February 1997 to January 2007. Prices for options exercised during the three-year period ended January 31, 1997, range from \$0.01 to \$38.25.

A total of 15.9 million shares of the Company's common stock have been reserved for future issuance under existing stock option programs in addition to 2.9 million shares related to the merger with Softdesk, Inc., discussed in Note 10.

**EMPLOYEE STOCK PURCHASE PLAN** The Company has an employee stock purchase plan for all employees meeting certain eligibility criteria. Under the plan, employees may purchase shares of the Company's common stock, subject to certain limitations, at not less than 85 percent of fair market value as defined in the plan. A total of 2,600,000 shares have been reserved for issuance under the plan. In fiscal years 1997, 1996, and 1995, shares totaling 323,000, 301,000, and 335,000, respectively, were issued under the plan at average prices of \$24.56, \$24.01, and \$17.90 per share. At January 31, 1997, a total of 791,000 shares were available for future issuance under the plan.

**PRO FORMA INFORMATION** The Company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its employees' stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB. No. 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized in the Company's financial statements.

Pro forma information regarding net income and net income per share is required by SFAS No. 123. This information is required to be determined as if the Company had accounted for its employee

stock options (including shares issued under the Employee Stock Purchase Plan, collectively called "options") granted subsequent to January 31, 1995, under the fair value method of that statement. The fair value of options granted in 1997 and 1996 reported below has been estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	Employee stock options		Employee stock purchase plan	
	1997	1996	1997	1996
Expected life (in years)	2.7	2.5	0.5	0.5
Risk-free interest rate	6.1%	5.8%	5.5%	5.8%
Volatility	.42	.40	.45	.45
Dividend yield	0.8%	0.8%	0.8%	0.8%

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected volatility of the stock price. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options. The weighted average estimated fair value of employee stock options granted during fiscal years 1997 and 1996 was \$8.34 and \$12.76 per share respectively. The weighted average estimated fair value of shares granted under the Employee Stock Purchase Plan during fiscal years 1997 and 1996 was \$8.01 and \$7.85 respectively.

For purposes of pro forma disclosure, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information is as follows (in thousands except for earnings per share information):

	1997	1996
Pro forma net income	\$15,343	\$71,952
Pro forma earnings per share	0.30	1.52

The effects on pro forma disclosures of applying SFAS No. 123 are not likely to be representative of the effects on pro forma disclosures of future years. Because SFAS No. 123 is applicable only to options granted subsequent to January 31, 1995, the pro forma effect will not be fully reflected until 1999.

PRE-TAX SAVINGS PLAN The Company has a pre-tax savings plan covering nearly all US employees that qualify under Section 401(k) of the Internal Revenue Code. Eligible employees may contribute up to 15 percent of their pre-tax salary, subject to certain limitations. The Company makes voluntary contributions and matches a portion of employee contributions. Company contributions, which may be terminated at the Company's discretion, were \$3,068,000, \$2,442,000, and \$1,474,000 in fiscal years 1997, 1996, and 1995, respectively.



NOTE 7. STOCKHOLDERS' EQUITY

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**PREFERRED STOCK** The Company's Certificate of Incorporation authorizes two million shares of preferred stock, none of which is 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.

**COMMON STOCK REPURCHASE PROGRAM** During fiscal years 1997, 1996, and 1995, the Company repurchased and retired a total of 1,659,500, 2,671,000, and 2,990,000 shares of its common stock at average per share repurchase prices of \$32.44, \$40.43, and \$30.05, respectively, pursuant to repurchase plans approved by the Company's Board of Directors to reduce the dilutive effect of common shares to be issued under the Company's employee stock option plans.

In August 1996, the Company announced a stock repurchase program under which the Company may purchase up to 5 million shares of common stock in open market transactions as market and business conditions warrant. The Company may also utilize equity options as part of its repurchase program. During fiscal year 1997, the Company repurchased 557,500 shares in the open market at an average per share repurchase price of \$24.09 and entered into the equity options described below. This program is in addition to shares previously reserved pursuant to an ongoing and systematic repurchase plan to reduce the dilutive effect of common stock to be issued under the Company's stock option plans.

In connection with the new repurchase program, the Company sold put warrants to an investment bank in September 1996 that entitle the holder of the warrants to sell 3 million shares of common stock to the Company at \$21.50 per share. Additionally, the Company purchased call options from the same investment bank that entitle the Company to buy 2 million shares of its common stock at \$25.50 per share. The put warrants and call options expire in September 1997. The premiums received with respect to the equity options totaled \$8.1 million and equaled the premiums paid. Consequently, there was no exchange of cash. The amount related to the Company's maximum potential repurchase obligation under the put warrants has been reclassified from stockholders' equity to put warrants in the accompanying consolidated financial statements. The Company has the right to settle the put warrants with stock or a cash settlement equal to the difference between the exercise price and market value at the date of exercise. These securities had no significant dilutive effect on net income per share for the periods presented.

NOTE 8. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly financial information for fiscal years 1997, 1996, and 1995 is as follows:

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year
Fiscal year 1997					
Net revenues	\$ 136,281	\$ 128,745	\$ 116,647	\$ 115,020	\$ 496,693
Gross margin	118,989	112,123	101,427	99,937	432,476
Income from operations	28,125	17,123	7,502	7,067	59,817
Net income	19,060	10,645	5,873	5,993	41,571
Net income per share	0.39	0.22	0.13	0.13	0.88
Fiscal year 1996					
Net revenues	\$ 138,658	\$ 140,686	\$ 128,537	\$ 126,286	\$ 534,167
Gross margin	121,373	123,324	112,419	110,239	467,355
Income from operations	38,408	38,897	28,046	23,676	129,027
Net income	25,977	26,299	19,207	16,305	87,788
Net income per share	0.51	0.52	0.38	0.34	1.76
Fiscal year 1995					
Net revenues	\$ 106,578	\$ 110,259	\$ 108,179	\$ 129,596	\$ 454,612
Gross margin	91,479	95,123	93,994	112,291	392,887
Income from operations	24,340	24,398	23,230	9,943	81,911
Net income	16,446	16,587	15,896	7,677	56,606
Net income per share	0.33	0.34	0.32	0.15	1.14

Results for the second and third fiscal quarters of fiscal year 1997 included nonrecurring charges of \$3.2 million and \$1.5 million, respectively, related to in-process research and development acquired in the Teleos and Argus acquisitions that had not yet reached technological feasibility and had no alternative future use. These charges resulted in a \$0.08 and \$0.02 reduction in net income per share in the second and third quarters of fiscal year 1997, respectively. Results for the fourth quarter of fiscal year 1995 included a pre-tax litigation charge of approximately \$26.0 million resulting in a \$0.33 reduction in net income per share.

NOTE 9. INFORMATION BY GEOGRAPHIC AREA

Information regarding the Company's operations by geographic area at January 31, 1997, 1996, and 1995 and for the fiscal years then ended is as follows:

(In thousands)	Fiscal year ended January 31,		
	1997	1996	1995
<b>Revenues:</b>			
<b>The Americas</b>			
Customers in the United States	\$ 176,286	\$ 195,272	\$ 182,133
Customers in Asia/Pacific	40,284	42,262	36,513
Customers in Canada	10,671	14,619	15,720
Other exports	13,420	11,103	14,951
Intercompany revenues	65,758	67,728	48,539
	306,419	330,984	297,856
<b>Europe</b>	189,082	211,480	159,110
<b>Asia/Pacific</b>	79,887	72,148	56,851
<b>Consolidating eliminations</b>	(65,758)	(67,728)	(48,539)
	\$ 509,630	\$ 546,884	\$ 465,278
<b>Income from operations:</b>			
<b>The Americas</b>	\$ 22,734	\$ 63,843	\$ 46,018
<b>Europe</b>	32,909	53,696	25,121
<b>Asia/Pacific</b>	4,174	11,488	10,772
	\$ 59,817	\$ 129,027	\$ 81,911
<b>Identifiable assets:</b>			
<b>The Americas</b>	\$ 329,171	\$ 306,795	\$ 336,403
<b>Europe</b>	302,183	250,268	211,056
<b>Asia/Pacific</b>	72,543	73,426	51,761
<b>Consolidating eliminations</b>	(211,664)	(112,560)	(117,144)
	\$ 492,233	\$ 517,929	\$ 482,076

Intercompany revenues consist of royalty revenue payable by the Company's subsidiaries under software license agreements with the US parent company. At January 31, 1997, 1996, and 1995, total foreign net equity was \$161.2 million, \$133.2 million, and \$88.7 million, respectively.

NOTE 10. SUBSEQUENT EVENT

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On December 10, 1996, the Company entered into a merger agreement with Softdesk, Inc. ("Softdesk"), a leading supplier of AutoCAD-based application software for the architecture, engineering, and construction (AEC) market. The terms of the merger agreement were subsequently amended on December 19, 1996. On March 31, 1997, under the terms of the agreement, as amended, Autodesk issued \$15.00 worth of its common stock for each outstanding share of Softdesk stock, and exchanged Autodesk options for outstanding Softdesk options. Based upon the value of Autodesk stock and options exchanged, the transaction was valued at approximately \$94 million for the Softdesk stockholders and resulted in the issuance of approximately 2.9 million shares of Autodesk common stock to holders of Softdesk common stock. This transaction will be accounted for using the purchase method.

The Company anticipates that it will incur direct transaction costs associated with this business combination in the range of approximately \$2.5 to \$3.5 million. To assist in the allocation of the purchase price, an independent valuation of Softdesk is being completed. The Company expects that it will allocate \$45 million to \$55 million to in-process research and development and charge this amount to operations in the first quarter of fiscal year 1998.

The Board of Directors and Stockholders  
Autodesk, Inc.

We have audited the accompanying consolidated balance sheets of Autodesk, Inc., as of January 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Autodesk, Inc., at January 31, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 1997, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

San Jose, California  
February 24, 1997,  
except for Note 10 as to which the date is  
March 31, 1997

Directors and Executive Officers

DIRECTORS

Carol Bartz  
Chief Executive Officer and  
Chairman of the Board

Mark A. Bertelsen  
Member  
Wilson, Sonsini, Goodrich & Rosati,  
Attorneys-at-Law

Crawford W. Beveridge  
Chief Executive Officer,  
Scottish Enterprise, an economic  
development company

J. Hallam Dawson  
Chairman, IDI Associates,  
a private investment bank

Mary Alice Taylor  
Executive Vice President of  
Worldwide Operations and Technology,  
CitiCorp

Morton L. Topfer  
Vice Chairman,  
Dell Computer Corporation

OFFICERS

Carol Bartz  
Chief Executive Officer and  
Chairman of the Board

Eric Herr  
President and Chief Operating Officer

David Arnold  
Vice President, AEC Market Group

Dr. Joseph Astroth  
Vice President, GIS Market Group

Steve Cakebread  
Vice President and  
Chief Financial Officer

Robert Carr  
Vice President,  
AutoCAD Market Group

Larry Crume  
Vice President and General Manager,  
Kinetix

James D'Arezzo  
Vice President, Corporate Marketing

Dominic Gallelo  
Vice President, Mechanical CAD and  
Data Management Market Groups

John Lynch  
Vice President,  
Advanced Products Market Group

Stephen McMahon  
Vice President, Human Resources  
and Facilities

Thomas Norring  
Vice President, Asia/Pacific

Marcia Sterling  
Vice President, Business Development,  
and General Counsel

Godfrey Sullivan  
Vice President, the Americas

Michael Sutton  
Vice President, Europe

MARKET PRICES

The Company's common stock is traded on the Nasdaq National Market under the symbol ADSK (formerly ACAD). The following table lists the high and low sales prices for each quarter in the last three fiscal years:

	High	Low
-----		
FISCAL YEAR 1997		
First quarter	\$44-1/4	\$29-3/4
Second quarter	42-3/4	20-1/2
Third quarter	27-1/2	18-1/2
Fourth quarter	35-3/8	21
FISCAL YEAR 1996		
First quarter	\$44	\$33
Second quarter	50-1/4	34
Third quarter	53	33
Fourth quarter	39-1/2	27-3/4
FISCAL YEAR 1995		
First quarter	\$30-7/8	\$24-1/8
Second quarter	28-1/4	23-1/4
Third quarter	35	24-5/8
Fourth quarter	41-1/2	30-3/4
	-----	-----

DIVIDENDS

The Company paid quarterly dividends of \$0.06 per share in fiscal years 1997, 1996, and 1995. The Company currently intends to continue paying regular cash dividends on a quarterly basis.

STOCKHOLDERS

As of April 21, 1997, the approximate number of common stockholders of record was 1,650.

ANNUAL MEETING

The Company's Annual Meeting of Stockholders will be held at 2:00 PM on June 26, 1997, at the Embassy Suites Hotel, 101 McInnis Parkway, San Rafael, California.

FORM 10-K

A copy of the Company's Annual Report on Form 10-K for fiscal year 1997 filed with the Securities and Exchange Commission may be obtained without charge by sending a written request to Investor Relations, Autodesk, Inc., 111 McInnis Parkway, San Rafael, CA 94903. Information about Autodesk and its business, including the Company's periodic filings with the Securities and Exchange Commission, may be obtained from Autodesk's Worldwide Web Site at [www.autodesk.com](http://www.autodesk.com).

Corporate Information

CORPORATE HEADQUARTERS

Autodesk, Inc.  
111 McInnis Parkway  
San Rafael, CA 94903  
USA

THE AMERICAS

Autodesk, Inc.  
111 McInnis Parkway  
San Rafael, CA 94903  
USA

ASIA/PACIFIC

Autodesk, Inc.  
111 McInnis Parkway  
San Rafael, CA 94903  
USA

EUROPE

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20, route de Pre-Bois  
Case Postale 766  
CH-1215 Geneva 15  
Switzerland

LEGAL COUNSEL

Wilson, Sonsini, Goodrich & Rosati  
650 Page Mill Road  
Palo Alto, CA 94304  
USA

TRANSFER AGENT

Harris Trust & Savings Bank  
c/o Shareholder Services  
11th Floor  
311 West Monroe Street  
Chicago, IL 60606  
USA

INDEPENDENT AUDITORS

Ernst & Young LLP  
55 Almaden Boulevard  
San Jose, CA 95113  
USA

TRADEMARKS

Autodesk, the Autodesk logo, AutoCAD, AutoCAD LT, 3D Studio, WorkCenter, and PartSpec are registered trademarks, and Mechanical Desktop, 3D Studio MAX, Kinetix, AutoCAD Map, Autodesk MapGuide, Autodesk World, PlantSpec, DesignBlocks, Hyperwire, Picture This Home!, and Design Your World are trademarks, of Autodesk, Inc., in the USA and/or other countries. Microsoft, Windows, and Windows NT are registered trademarks of Microsoft Corporation. All other brand names, product names, or trademarks belong to their respective holders.

FOR MORE INFORMATION

For more information, please write Investor Relations, Autodesk, Inc., 111 McInnis Parkway, San Rafael, CA 94903, phone us at 415-507-5000, or visit our World Wide Web sites at [www.autodesk.com](http://www.autodesk.com) and [www.kinetix.com](http://www.kinetix.com).

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[AUTODESK LOGO]

Autodesk, Inc.  
111 McInnis Parkway  
San Rafael, CA 94903  
USA

SUBSIDIARIES OF AUTODESK INC.  
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The Registrant owns 100% of the outstanding voting securities of the following corporations, all of which are included in the Registrant's consolidated financial statements:

Name -----	Jurisdiction of Incorporation -----
Autodesk (Europe) S.A.	Switzerland
Autodesk AB	Sweden
Autodesk AG	Switzerland
Autodesk Asia Pte. Ltd.	Singapore
Autodesk Australia Pty. Ltd.	Australia
Autodesk B.V.	Netherlands
Autodesk Canada Inc.	Canada
Autodesk Development Africa (Pty) Ltd.	Republic of South Africa
Autodesk Development B.V.	Netherlands
Autodesk Far East Ltd.	Hong Kong
Autodesk Gesm.bH	Austria
Autodesk GmbH	Germany
Autodesk International Ltd.	Barbados
Autodesk Korea Ltd.	Korea
Autodesk Ltd.	United Kingdom
Autodesk Ltd. Japan	Japan
Autodesk Ltda	Brazil
Autodesk R	Russia-C.I.S.
Autodesk S.A.	Spain
Autodesk S.A.R.L	France
Autodesk S.p.A.	Italy
Autodesk Software limitada	Portugal
Autodesk spol. s.r.o	Czechia
Autodesk, Inc. Taiwan	Taiwan
Teleos Research	California
Autodesk Development Canada, Ltd.	Canada



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JAN-31-1997  
JAN-31-1997 64,814  
117,971  
75,212  
6,635  
7,340  
310,528 121,721  
77,671  
492,233  
150,171 0  
0 0  
147,091  
106,587  
492,233 496,693  
496,693 64,217  
370,922  
0  
1,737  
1,842  
66,512  
24,941  
41,571 0  
0 0  
41,571  
0.88  
0