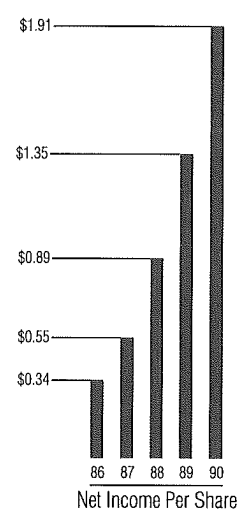
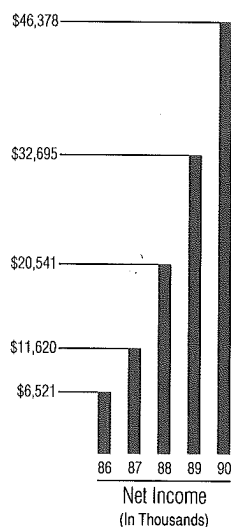
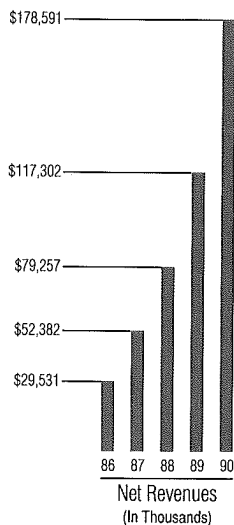




**A**utodesk is the world's leading developer of design and drafting software for desktop computers and workstations and the fifth largest PC software company in the U.S.\* Since 1982, we have developed a family of products that make professionals in a wide range of industries more productive and successful. An international company since its inception, Autodesk markets its products in 12 different languages and 70 countries around the world.



## Selected Financial Data

Years ended January 31, 1990 and 1989

(In thousands, except employee, percent and per share amounts)

	1990	1989	Percentage Change
Net revenues	\$178,591	\$117,302	+ 52.2%
Net income	\$ 46,378	\$ 32,695	+ 41.9%
Net income per share	\$ 1.91	\$ 1.35	+ 41.5%
Return on net revenues	26.0%	27.9%	- 6.8%
Working capital	\$113,951	\$114,447	- 0.4%
Shareholders' equity	\$159,121	\$147,734	+ 7.7%
Return on average shareholders' equity	30.2%	24.9%	+ 21.3%
Shares used in computing net income per share	24,325	24,140	+ 0.8%
Number of employees	905	576	+ 57.1%

\*Based on *The 1990 Softletter 100*, a ranking of the top 100 independent computer software companies in the U.S. based on 1989 revenues.

In fiscal year 1990, Autodesk saw growth both financially and in market share. In a year in which many high-tech companies encountered difficulties, Autodesk's share of the desktop computer-aided design (CAD) software market increased from 57 percent to 63 percent, according to Daratech, a Massachusetts-based CAD industry research company.

This growth occurred in both domestic and international markets and across market segments. Specifically, Autodesk experienced sizeable growth in the mechanical and manufacturing markets and continued success in the architectural, engineering and construction arenas.

This strong performance was achieved by increasing our lead in existing markets while vigorously expanding into a range of new markets. This strategy has made the Company a force in computer-aided design and has also established Autodesk as one of the largest software companies in the world.

### **Global Focus**

A major reason for Autodesk's success in fiscal year 1990 was its increased attention to international markets. We focused additional resources on penetrating global markets, which resulted in international revenues surpassing domestic revenues for the first year in the Company's history. In the 1990 fiscal year, 55 percent of the Company's net revenues were generated in foreign markets.

Autodesk is the CAD market leader in Japan, we are the de facto CAD standard in Eastern Europe (with AutoCAD® editions in Russian, Czech and Polish) and we have made significant inroads into the traditionally closed markets of Latin America. In Europe, we announced the appointment of Volker Kleinn to the position of vice president of European operations to prepare for the opportunities presented

by the formation of the European Economic Community in 1992. In addition, our sales activities in the Pacific Basin and Canada continue to generate exceptional revenues and profits.

### **Selected Financial Highlights**

Our fiscal year 1990 net revenues increased by 52 percent to \$178.6 million compared to \$117.3 million for fiscal year 1989. Net income also rose sharply to \$46.4 million from \$32.7 million, and net income per share increased to \$1.91 from \$1.35 for the previous fiscal year. Return on average shareholders' equity was 30.2 percent during fiscal year 1990.

Fiscal year 1990 marked the first time that you, the shareholder, received cash dividends from your investment in the Company. In July of last year, the Company paid a special, one-time cash dividend of \$1.50 per share of common stock. In addition, the Board announced a quarterly dividend payment of \$.10 per share of common stock commencing with the quarter ended October 31, 1989.

### **Increasing Our Lead in the PC-CAD Market**

Autodesk remains the PC-CAD market leader. We have maintained this position by continually evaluating the needs of our customers, upgrading our products to fulfill those needs and responding to developing market trends.

This philosophy resulted in the development of several important new versions of our flagship product, AutoCAD, during fiscal year 1990. In answer to the requests of our PC-based customers, Autodesk released powerful new editions of AutoCAD Release 10 for the extended-DOS/386, OS/2 Presentation Manager and SCO XENIX operating systems, freeing design professionals from the memory and performance constraints imposed by standard DOS.

Responding to the opportunities in the low-end CAD market, the Company acquired Generic Software, Inc., maker of the entry-level CAD software, Generic CADD.<sup>™</sup> This move increased our customer base to more than 500,000. It also made Autodesk the undisputed leader in the entry-level CAD market, further solidifying our PC-CAD market position.

### **Expanding Our Markets**

Recent advances in integrated circuits and workstation technology make the engineering desktop a viable platform for sophisticated applications such as 3-D design, design analysis and computer-aided manufacturing (CAM). This area, once controlled by high-end turnkey vendors, now represents substantial new market opportunities for Autodesk.

Acknowledging these opportunities, Autodesk moved rapidly to introduce new technology, as well as new distribution and support mechanisms designed to deliver leading-edge CAD/CAM solutions. During fiscal year 1990, the Company delivered new AutoCAD versions on a wide range of leading-edge hardware platforms, including Digital's DECstation 3100 series, Sun's SPARCstation family and the Apple Macintosh II.

The Company's efforts to establish more sophisticated distribution and support channels also aided our penetration of the high-end CAD/CAM market. The regional sales offices, established in 1989, increased our major account revenues by teaming Autodesk direct sales and support personnel with our authorized resellers to provide key account service.

Autodesk diversified its product line with the release of Autodesk Animator,<sup>™</sup> an exciting multimedia software product that captured the attention of the entire PC com-

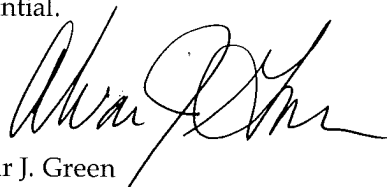
puter industry. This first step into a completely new market proved to be a solid one as Autodesk Animator quickly became a best-seller of two of the leading mass market distributors.

### **Continued Efficiencies**

Over the course of the year, we took significant steps to manage the Company's growth and refine its organizational structure. Most notably, we consolidated our Atlanta Software Development Group into our corporate offices to streamline operations. We also separated the position of chief financial officer from that of chief executive officer and appointed Carolyn V. Aver as the new CFO.

Because of our achievements this fiscal year, Autodesk has entered the 1990s as more than just the CAD software market leader. We are now a broad-based, multinational software company, well positioned to take advantage of the opportunities that the new decade promises.

In the coming year, we will continue to develop new technologies, diversify our product line and enter new markets. On a more fundamental level, we continue to direct our efforts to the same goal that has built Autodesk into one of the most successful companies in the history of the software industry: marketing exceptional products that meet the needs of our customers. We will continue our efforts to reward the trust that you've invested in our potential.



Alvar J. Green  
*Chairman of the Board*  
*President*  
*Chief Executive Officer*

**A**utodesk is the firmly established CAD industry leader with a 63.5 percent share of the PC-CAD software market.\* We achieved this position by developing a family of technically excellent CAD software products that make our customers more productive, more competitive—in short, more successful. Our products span all segments of the CAD market as well as a number of CAD-related vertical markets.

### Increasing Leadership in All Market Segments

With more than 300,000 installed units, AutoCAD is the best-selling CAD package in the world. AutoCAD, in conjunction with more than 700 Autodesk and third-party companion products, offers design and engineering professionals a sophisticated design environment. In the past fiscal year, we released powerful new versions of AutoCAD for several high-performance operating systems and workstations, including extended-DOS/386, OS/2, SCO XENIX 386, DECstation 3100 and the Macintosh II. We are also in the process of developing a major new AutoCAD release. We expect these new products to continue the tremendous popularity that AutoCAD has enjoyed among sophisticated CAD users.

Autodesk also markets the two most successful products in the entry-level CAD market. With more than 150,000 units sold, AutoSketch® has been a leader in this segment since its release in 1986. In addition, through our acquisition of Generic Software, Inc. in fiscal year 1990, we have added the popular entry-level package, Generic CADD, to our product family. More than 225,000 copies of Generic CADD have been sold, making it the entry-level market best-seller. With AutoCAD, AutoSketch and Generic CADD in our product family, Autodesk now markets the three best-selling CAD software products in the world.

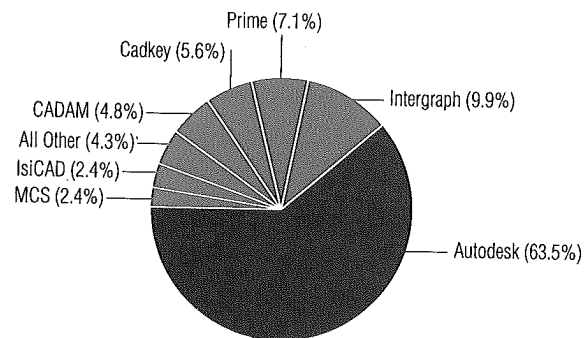
\*Based on information compiled by Daratech, Inc. for 1989.

### Increasing Vertical Market Penetration

Autodesk products have also gained acceptance in a wide array of vertical markets. Over the years, we have established relationships with hundreds of third-party software developers and hardware manufacturers to foster the creation of a wide selection of vertical-market solutions. These solutions offer professionals in manufacturing, mapping/GIS, mechanical engineering and other rapidly growing markets a combination of price/performance and platform flexibility that is unmatched by turnkey vendors.

The upcoming AutoCAD Advanced Modeling Extension will increase our penetration into these high-growth vertical markets. The extension, which is scheduled to be released in the second half of 1990, will allow mechanical designers, manufacturing engineers, and technical professionals in a variety of other industries to create sophisticated solid models within AutoCAD.

Through these and many other long-range development efforts, Autodesk intends to continue its CAD market leadership well into the future.



1989 MS-DOS-Based CAD Market\*  
Software-\$252 Million

**A**t Autodesk, we are committed to meeting the needs of a customer base that numbers more than 700,000 and spans nearly every industry imaginable.

### **Continuous Upgrades and Technical Support**

One example of our commitment to our customers is the Autodesk upgrade policy. We upgrade our products on a regular basis, paying careful attention to customer needs. Since its introduction in 1982, AutoCAD has undergone nine major enhancements. This impressive upgrade record reflects our continuing efforts to keep our customers on the forefront of graphics technology.

Equally important, we back all of our products with technical support through our international network of well-trained authorized AutoCAD resellers and through direct customer support telephone lines for our mass-market products.

### **Meeting Specific Platform and Design Needs**

Because our customers' varying needs call for different hardware environments, Autodesk makes its products available on a wide selection of computers and workstations. AutoCAD, for instance, runs on more than 10 hardware platforms under 9 different operating systems.

AutoCAD also works in tandem with more than 700 third-party software products that tailor AutoCAD to the needs of customers in a wide variety of professions and industries, from architecture and civil engineering to electronic engineering and computer-integrated manufacturing.

### **Serving Key Market Segments**

Autodesk offers a wide range of programs and services to meet the needs of special customer groups such as corporate accounts, government agencies and educators.

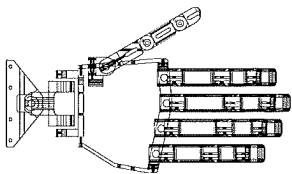
Since 1984, Autodesk has maintained some of the most progressive educational programs in the computer industry. These programs include an international network of more than 350 Autodesk Training Centers, an in-service teacher training program and the Autodesk Alliance for Manufacturing Productivity, a consortium of 24 technical colleges designed to transfer technology to small manufacturing companies, making them more competitive.

In addition to managing these special programs, Autodesk's Education Department works with a nationwide network of resellers, called Area Education Representatives (AERs), who specialize in educational sales. As a result of our targeted programs and sales efforts, Autodesk products are well established at all levels of the educational system.

Similarly, Autodesk Major Accounts sales representatives work with authorized resellers to provide services to companies that are regional, national and international in scope. These services include volume purchase agreements, special on-site training, and centralized or decentralized billing and shipping for different corporate divisions and departments.

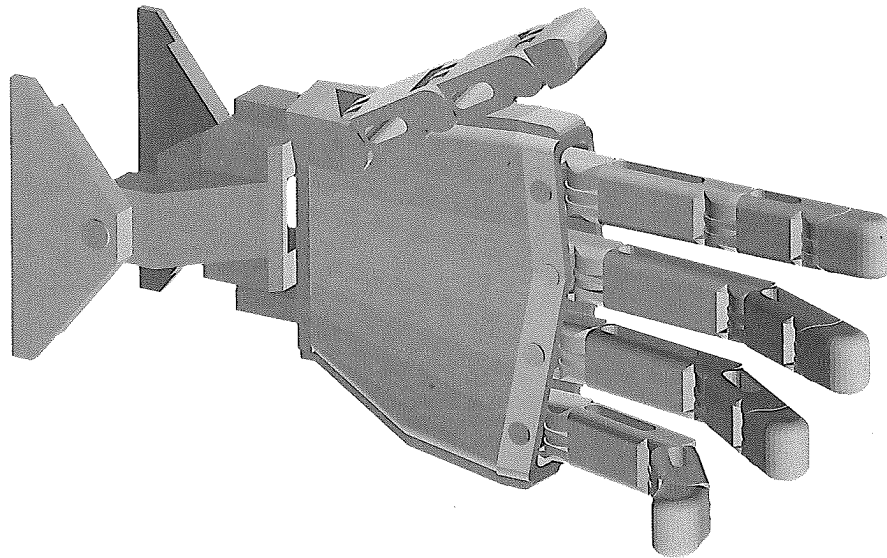
The Autodesk Federal Systems Group provides similarly tailored services to federal government agencies. Our Federal Systems representatives, working with a network of authorized Autodesk federal resellers, have sold software to all 60 major branches of the federal government. In fiscal year 1990, Autodesk opened a federal sales office in Washington D.C. and tripled its sales to the federal government sector. Because of the success of our federal sales program, we have established similar programs for state and local government agencies.

Engineers at the Electromechanical Branch of NASA's Goddard Space Flight Center (Greenbelt, MD) are using AutoCAD to develop a completely new type of robot hand. Unlike previous robot hands, the five-finger anthrobot (anthropomorphic robot) hand resembles the basic skeletal structure of the human hand and incorporates its dexterity. Instead of relying on elaborate computer architecture for this dexterity, the anthrobot hand mirrors the natural, intuitive hand movements of a human operator. The operator wears a special glove that records and transmits hand movements to the anthrobot hand, which then repeats each movement. Eventually, the anthrobot hand may be used in space by NASA mission specialists to work remotely on projects requiring human dexterity.



NASA's Goddard Space Flight Center

Designing the Right Stuff with AutoCAD



**T**he anthrobot hand research project is one of four that Chuck Engler, a mechanical engineer at NASA's Goddard Space Flight Center (GSFC), is working on simultaneously. Because his time is so valuable, Engler says, "I can't afford to spend a lot of time on design iterations, even though design iterations are a basic part of research and development. What's nice about using AutoCAD is that I don't have to start over from scratch every time I make a design change." He estimates that AutoCAD has cut his design time by more than 50 percent.

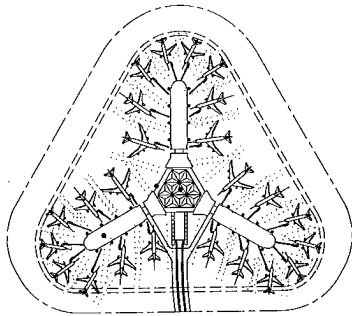
At the GSFC, quality is the watchword. Before prototypes can be built, design drawings must be created to extremely high standards. "If you want to send a drawing down to the shop, they will not look at it unless it meets certain Goddard specifications," Engler explains. "I can use AutoCAD to set up my format parameters so every drawing meets these specifications. With AutoCAD, along with decreased design time, I get high-quality drawings."

Engler has begun building physical prototypes of the anthrobot hand and will soon forge ahead with the next phase of the project. The quality of his design concept presentations plays an important role in the funding he receives for subsequent phases. Using AutoCAD, along with Autodesk's companion AutoShade® rendering software and AutoSolid™ solid modeling software, has helped him create impressive design concept presentations that have met with a great deal of success. "I went into a number of meetings armed with color presentations and the project was subsequently approved," says Engler.

Since Engler began using AutoCAD, the Electromechanical Branch decided to make it their standard CAD software. Already, there are three space-flight hardware designers and five engineers using it for their projects. "Now, all I have to do is put my drawing on a floppy disk, take it to a designer and ask him for his opinion," Engler says. "AutoCAD has been a very beneficial tool for me and it's starting to be beneficial for other people, too."

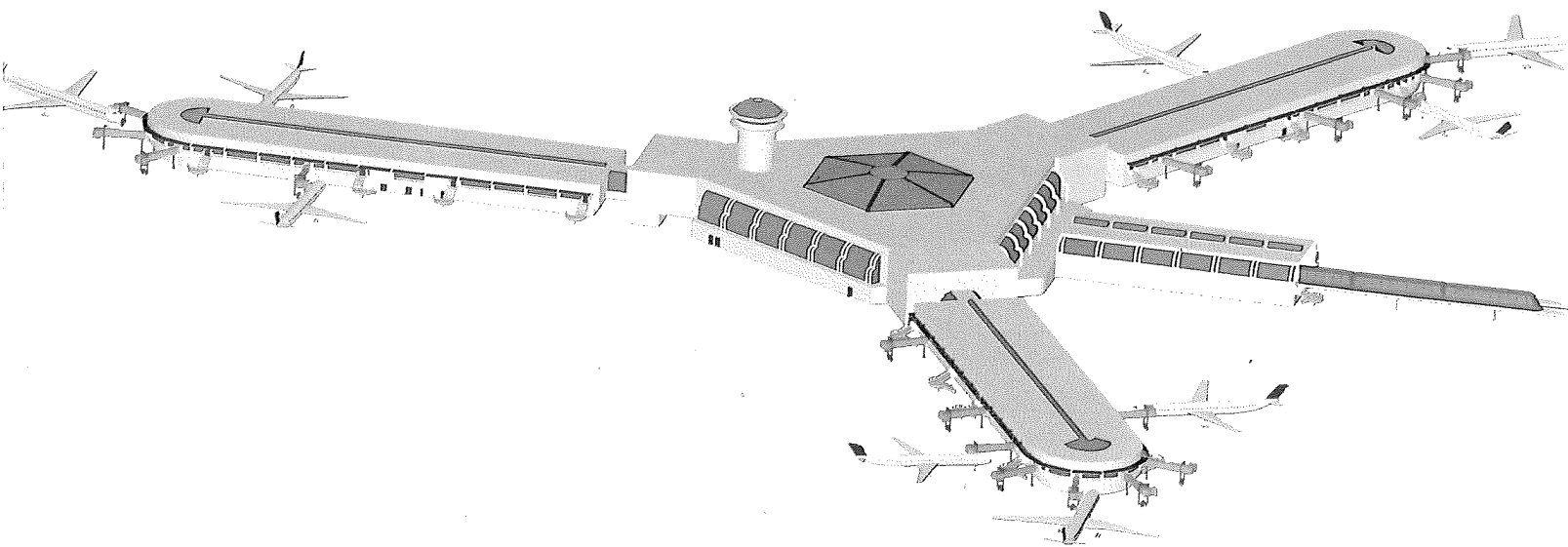


KBJ Architects, Inc., a Jacksonville-based architectural firm, relies on AutoCAD to prepare the design documentation for the immense Orlando Airport expansion project. The \$700 million project involves increasing the space in the airport's landside passenger terminal building by 130 percent (one million square feet), building a new seven-story hotel and seven-story parking garage, and erecting an automated ground transportation tram system to connect the landside passenger terminal to the 24-gate airside terminal a half mile away. Approximately half of the myriad architectural documents required for the project were produced by just three employees using three AutoCAD workstations.



Orlando Airport

AutoCAD Puts KBJ Architects on the Fast Track



**W**hen KBJ Architects undertook the Orlando Airport expansion project three years ago, everybody knew they would have to work fast. Because it was a fast track project, structures had to be designed at the same time that others were being built.

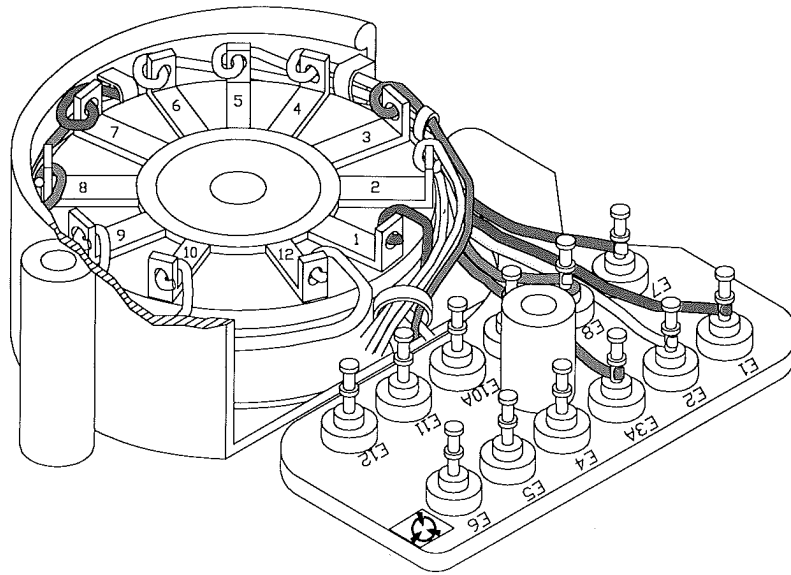
"On any fast track job, as you're designing and as you're building there's always a lot of rethinking," says KBJ vice president Kim Goos. "As the design changes, the documents have to be changed in a hurry before things get built out there. AutoCAD certainly helped us adjust quickly to changing conditions. That was a big plus."

When you consider the scope of the Orlando Airport project, it's easy to appreciate the need for fast design work. The \$700 million project entails erecting an automated ground transportation (AGT) tram system, building a seven-story hotel and seven-story parking garage, and expanding the airport's landside passenger terminal building by 130 percent.

For KBJ Architects, expanding the landside building alone meant creating floor plans and ceiling plans for one million square feet of space. But this was by no means their only concern. Specifying the scope and placement of the AGT people mover system presented another formidable challenge. Completing the specifications for the system required the architects to lay out the entire airport site, including gates and plane locations. This was no small task, according to Goos.

"There's a lot of rules and regulations as far as plane spacing and what planes can park where," he explains. "And AutoCAD was really beneficial at that stage because we were able to simulate the different planes and rotate jetways about their pivot points, and that greatly speeded up the process."

The Orlando Airport project may have been the first project for which KBJ Architects used AutoCAD, but, according to Goos, it definitely won't be the last. "Since then, we've standardized with AutoCAD," he says. "Now we have a lot of other projects going out with AutoCAD."



**I**n 1986, the Hughes Radar Systems Group (RSG) set out to design a computer system to improve its assembly planning process. To fit their specifications, system designers needed a CAD program with a low per-seat cost that would run on Sun engineering workstations. But they were also looking for a program they could interface with Oracle's relational database management software. What they found was AutoCAD.

AutoCAD, with its open architecture and built-in AutoLISP programming language, allowed Hughes software engineers to interface the program to an Oracle database at the core of their automated planning system, called IMPIS. Using custom-built SunView windows, assembly planners enter key pieces of information which are used to extract data from the Oracle database. This data is then automatically passed to AutoCAD and inserted into the assembly instruction. A typical assembly instruction spans 25 pages and includes diagrams, parts and tools lists, as well as detailed instructions.

"The main benefit of AutoCAD and the AutoLISP® interface was that it allowed us to automate much of the planning process," says IMPIS project engineer Brant Jones. "A number of tedious tasks, such as lettering and page formatting, that the planner used to do manually are now done automatically."

AutoCAD also lends itself well to IMPIS's networked workstation environment. Because AutoCAD processing takes place on individual workstations, the graphics-intensive IMPIS system runs much faster than if the processing took place on a central host computer. Assembly planners, consequently, have much quicker access to drawings. Jones says that IMPIS makes assembly planners 35 percent more productive than when they used pencils and paper.

IMPIS has also given assembly planners what many consider an even greater benefit: a boost in quality. "What the assembly planners really like about IMPIS is that the quality of the planning is vastly superior to what it was when created manually," Jones says. "They really like working on the system and especially enjoy working with AutoCAD."

**B**ecause of our financial strength, technical resources, well-established distribution channels and market responsiveness, Autodesk is well positioned to successfully enter new high-growth markets.

### **The Multimedia Market**

In fiscal year 1990, Autodesk entered the multimedia market when we began mass marketing Autodesk Animator, an exciting multimedia software package for the IBM PC. Autodesk Animator appeals to business professionals, video professionals, educators and others who need to create impressive video presentations. The product's sophisticated animation and image creation capabilities have earned it rave reviews from industry analysts and a bevy of awards from several leading magazines in the PC market.

In its first month of release, Autodesk Animator made the best-seller list of two of the leading mass market distributors and continues to generate substantial revenues. Autodesk will begin selling additional multimedia products in the coming year to further tap this fast-growing market.

### **The Scientific Market**

We have also begun developing a family of scientific software products for a promising new market of scientists and science enthusiasts. CA Lab,<sup>™</sup> the first product in the Autodesk science series, was released last year. The second product, a PC package based on James Gleick's best-selling book, *Chaos—Making a New Science*, will be released this year. We plan to develop additional science products that will bring scientific applications once possible only on mainframes to the desktop computer.

### **The Information Market**

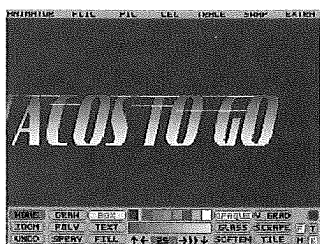
Autodesk continues its pioneering efforts in the area of information processing tools. Our Xanadu subsidiary is developing a hypertext filing and retrieval system for text, images and other media that will greatly streamline the way information is processed.

### **Virtual Reality**

Autodesk is now exploring a futuristic interface technology called cyberspace or virtual reality. Autodesk's prototype cyberspace software allows a CAD operator wearing a special glove and goggles to interact with 3-D computer-generated graphics as if they were real. Cyberspace has generated a great deal of interest from the media and public and holds tremendous promise as a user interface for designers in a variety of industries.

### **Research and Development**

Of course, few of the innovative new products and technologies Autodesk has introduced over the years would have been possible without a heavy investment in research and development. Autodesk's emphasis on R&D has resulted in such developments as the first PC-based CAD system, desktop solid modeling, PC-based, real-time animation from a hard disk and the cyberspace virtual reality technology. Last year, we increased our investment in research and development when we established the Autodesk Research Lab, a sophisticated environment for technology-tracking, experimentation, prototype development and testing. The new lab is just one example of Autodesk's commitment to developing technically excellent products that keep our customers on the frontier of computer graphics technology.



"Tacos To Go," the pictured animation effect, was created for a Taco Bell commercial by Fleet Street Pictures using Autodesk Animator. The moving text, with its spinning O's, illustrates Autodesk Animator's text animation and optical animation features—two of the five types of animation that can be created with the sophisticated software.

**F**leet Street Pictures, one of San Francisco's premiere video post-production companies, creates video special effects for such well-known advertising agencies as Foote, Cone & Belding, J. Walter Thompson and McCann-Erickson. The company's work typically becomes part of TV commercials these agencies produce for Taco Bell, Toyota, Clorox and other large corporations.

In Fleet Street's trendy Sansome street studios, broadcast designer Robert Quinn walks over to his PC and pulls up an Autodesk Animator file. Suddenly the words "Tacos To Go" rendered in huge orange and yellow letters dart across the screen with the O's spinning like bicycle tires. This text animation effect, produced for a Taco Bell commercial, typifies how Autodesk Animator is being used by post-production professionals.

Using Autodesk Animator, Fleet Street designers create between 12 and 24 different variations of a text effect to show an agency's art director. After the art director selects the desired variation, the designer recreates the effect on a Quantel Paintbox-Harry system and combines it with other video sequences to create the actual commercial spot that will be broadcast.

But things weren't always this easy, according to Quinn. Before they got Autodesk Animator, Fleet Street designers had to use Paintbox-Harry to create each variation of an animation effect at a cost of up to \$800 per hour.

"Because it's so expensive, we could only create maybe half a dozen versions to show the client," Quinn explains. "But with Autodesk Animator, we can prepare two dozen different versions in a day and charge the client a fraction of what it would cost to go into Paintbox-Harry."

The reason is Autodesk Animator's price. At a suggested retail price of \$395, it costs less to purchase Autodesk Animator than it costs to rent Paintbox-Harry for an hour.

Quinn admits that it wasn't easy at first to convince art directors, who are accustomed to seeing \$200,000 worth of Paintbox hardware, that a PC could be a serious animation tool. "When people see a PC sitting here, it's hard for them to grasp what this thing can do," he says. But the first time they see an animation created with Autodesk Animator, Quinn adds, "the majority of them are really blown away. They're really excited."

Because of the benefits of using Autodesk Animator, Quinn predicts a bright future for the product in the video production industry. "Autodesk Animator has definitely found a niche in this business," he says, "and it will find an even bigger one."

Fleet Street Pictures

Autodesk Animator Finds Niche Among Video Pros

**S**ince its inception, Autodesk has been an international company committed to providing its customers in all parts of the world with superior products and support.

**The Autodesk International Sales Network**

Autodesk markets and supports its products in more than 70 countries and in 12 different languages. These products are distributed by 11 foreign subsidiaries serving Eastern and Western Europe, the Middle East, Japan, New Zealand and Australia. Autodesk's International Sales Department, located at our Sausalito headquarters, serves countries in other parts of the world through its network of foreign distributors.

**Growing International Markets**

Because of the international sales programs and distribution channels Autodesk established in its early years, the Company is well positioned to take advantage of the rapidly growing international software market. At its current rate of growth, the international CAD market is expanding faster than the U.S. market, and this trend is

expected to continue. In the past fiscal year, 55 percent of Autodesk's revenues came from international sales, a higher percentage than in any previous year.

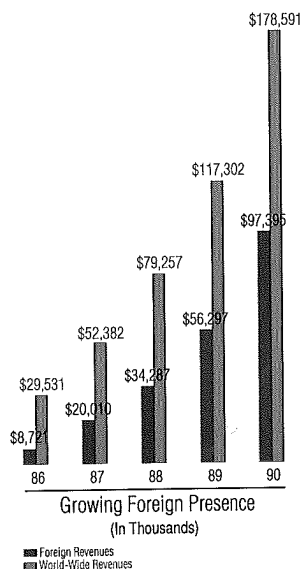
Sales in Western Europe increased by 71 percent last year as Autodesk continued its development efforts in the European market. To support this rapid growth, we converted our existing product support offices in Italy and France to fully functioning sales and marketing support subsidiaries and will establish additional European subsidiaries in Spain, Germany, and Austria in fiscal year 1991.

We also made unprecedented gains in one of the most promising and, as yet, largely untapped international markets: Eastern Europe. While recent political events have focused the attention of many on this region for the first time, Autodesk has been working to develop these markets for nearly four years.

In October of 1988, Autodesk held the Soviet Union's first international software exposition, Autodesk Expo Moscow, to introduce the Russian-language version of AutoCAD. Last October, we followed this event with a second Moscow expo and formed a joint-venture company, named Parallel, which distributes Autodesk software in the Soviet Union. We also entered Czechoslovakia's software market last fall when we introduced our Czech-language version of AutoCAD at our first-ever Autodesk Expo Prague.

With our well-established distribution channels in Eastern Europe, we are uniquely positioned to take full advantage of the increasing political and economic freedom in this part of the world.

Autodesk also strengthened its distribution channels in other parts of the world, most notably Latin America and the Pacific Basin. Last June, we held an Asia reseller conference in Thailand, attended by 85 resellers from 13 countries, and a Latin America reseller conference in Brazil, attended by 60 resellers from 7 countries. We also added distributors in the Caribbean, Pakistan, India and Africa.



**W**hen Autodesk opened its doors eight years ago, Company founders felt it was important to create an informal environment in which they would enjoy working. The Company has grown a great deal since those early days, but that environment still exists. It's an environment that respects individual freedom, values individual accomplishments and places results above all else.

### **Encouraging the Achievements of Our Employees**

At Autodesk, we believe our unique work atmosphere encourages the creativity of our employees. We also think it helps to motivate them. Autodesk's ratio of net income per employee has consistently ranked near the top for PC software companies. This rank speaks highly of the productivity of our employees.

One way we help make our employees more productive is by giving them the tools they need to do their jobs better. Virtually every employee has a personal computer on his or her desk linked to every other employee in the Company via a sophisticated electronic mail network that spans four continents.

Perhaps the primary factor behind our success is the dedication of our employees. While Autodesk has some of the best minds in the software industry, the people who develop, market and support Autodesk software are more than just bright. They are also self-motivated, extremely dedicated professionals. Our products are better because of the exceptional effort that each individual has devoted to making them that way.

### **Managing Our Growth**

Autodesk now numbers more than 900 employees. Like any fast growing company, Autodesk has had to mature quickly to keep pace with the industry. To manage our growth, we continue to add experienced management in key places and refine our organizational structure. In addition to Autodesk employees, this structure includes a network of more than 4,000 authorized AutoCAD resellers, more than 600 registered third-party developers, and more than 350 authorized Autodesk Training Centers worldwide.

In spite of our rapid growth, we have worked to maintain a careful balance between traditional structure and informality. This balance is reflected in the relationship between staff and management. As in many successful companies, Autodesk's management team gives direction to the creative efforts of our staff and sets the Company's strategic course in navigating today's rapidly changing software industry. But what makes Autodesk different is the exceptional degree of communication that exists between staff and management at all levels. This communication was built into the Autodesk fabric. It's part of what makes the Company so responsive to market trends and customer needs.

In the coming year, we will continue to do what has made Autodesk successful from the beginning. We will continue to hire bright, highly motivated professionals who understand the importance of quality. We will continue to foster an environment that encourages communication, increases productivity and evokes our employees' best work. That's Autodesk's proven formula for continued success in the dynamic software industry of the Nineties.

**Table of Contents**

---

Selected Five Year Financial Data	17
Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Consolidated Statement of Income	20
Consolidated Balance Sheet	21
Consolidated Statement of Cash Flows	22
Consolidated Statement of Shareholders' Equity	23
Notes to Consolidated Financial Statements	24
Report of Independent Auditors	30



Year ended January 31,	1990	1989	1988	1987	1986
(In thousands, except employee, percent and per share amounts)					
<b>FOR THE YEAR</b>					
Net revenues	\$178,591	\$117,302	\$ 79,257	\$52,382	\$29,531
Cost of revenues	\$ 22,487	\$ 14,507	\$ 10,552	\$ 7,864	\$ 4,582
Marketing and sales	\$ 46,848	\$ 31,859	\$ 19,641	\$12,465	\$ 7,319
Research and development	\$ 21,308	\$ 10,921	\$ 7,206	\$ 3,366	\$ 1,665
General and administrative	\$ 20,922	\$ 13,098	\$ 10,649	\$ 7,049	\$ 3,572
Income from operations	\$ 67,026	\$ 46,917	\$ 31,209	\$21,638	\$12,393
Interest and other income, net	\$ 9,390	\$ 7,248	\$ 3,838	\$ 1,287	\$ 618
Income before income taxes	\$ 76,416	\$ 54,165	\$ 35,047	\$22,925	\$13,011
Net income	\$ 46,378	\$ 32,695	\$ 20,541	\$11,620	\$ 6,521
Cash provided by operating activities	\$ 52,080	\$ 39,532	\$ 21,731	\$11,021	\$ 3,480
<b>AT YEAR END</b>					
Cash, cash equivalents and marketable securities	\$105,633	\$107,811	\$ 96,631	\$24,301	\$16,150
Current assets	\$145,016	\$133,055	\$113,576	\$35,472	\$22,841
Marketable securities, long term	\$ 12,092	\$ 16,204			
Total assets	\$194,314	\$169,893	\$125,451	\$40,347	\$24,683
Current liabilities	\$ 31,065	\$ 18,608	\$ 8,858	\$ 5,555	\$ 3,031
Total liabilities	\$ 35,193	\$ 22,159	\$ 10,686	\$ 6,365	\$ 3,513
Shareholders' equity	\$159,121	\$147,734	\$114,765	\$33,981	\$21,171
Working capital	\$113,951	\$114,447	\$104,718	\$29,917	\$19,810
Number of employees	905	576	414	300	214
<b>COMMON STOCK DATA</b>					
Net income per share	\$ 1.91	\$ 1.35	\$ 0.89	\$ 0.55	\$ 0.34
Book value per share	\$ 6.56	\$ 6.15	\$ 4.82	\$ 1.65	\$ 1.05
Shares used in computing net income per share	24,325	24,140	23,180	21,030	18,990
Shares outstanding at year-end	24,245	24,005	23,824	20,575	20,148
<b>KEY RATIOS</b>					
Current ratio	4.67	7.15	12.82	6.39	7.54
Return on net revenues	26.0%	27.9%	25.9%	22.2%	22.1%
Return on average assets	25.5%	22.1%	24.8%	35.7%	44.1%
Return on average shareholders' equity	30.2%	24.9%	27.6%	42.1%	56.3%
<b>GROWTH PERCENTAGES</b>					
Net revenues	52.2%	48.0%	51.3%	77.4%	199.1%
Net income	41.9%	59.2%	76.8%	78.2%	301.0%
Net income per share	41.5%	51.7%	61.8%	61.8%	240.0%

**Net Revenues**

(In millions)	1990	Increase	1989	Increase	1988
Net Revenues	\$178.6	52%	\$117.3	48%	\$79.3

The Company's net revenues once again increased significantly over the previous year. This growth is primarily attributable to the continued success of AutoCAD in the United States, Europe and the Pacific Basin, including both new orders for Release 10 as well as product updates. The personal computer CAD software market continues its general expansion and AutoCAD has been widely recognized as the market standard. Sales of AutoCAD accounted for approximately 88 percent of net revenues in fiscal year 1990 and approximately 93 percent of net revenues in fiscal years 1989 and 1988. Other contributing factors to the growth of net revenues include the operations of Generic Software, Inc., purchased in May 1989, and the release of Autodesk Animator in September 1989.

The Company's European and Pacific Basin operations continued their strong expansion during fiscal year 1990. European net revenues for fiscal year 1990 increased approximately 71 percent over fiscal year 1989, which had increased approximately 47 percent over fiscal year 1988. Pacific Basin net revenues for fiscal year 1990 increased approximately 74 percent over fiscal year 1989, which increased approximately 123 percent over fiscal year 1988. Foreign net revenues, including net revenues from the United States to foreign customers, represented approximately 55 percent, 48 percent and 43 percent of net revenues in fiscal years 1990, 1989 and 1988, respectively. Management expects these trends to continue during fiscal year 1991.

Sales to customers in the United States accounted for approximately 45 percent, 52 percent and 57 percent of total net revenues in fiscal years 1990, 1989 and 1988, respectively. Domestic net revenues for fiscal year 1990 increased approximately 33 percent over fiscal year 1989, which had increased approximately 36 percent over fiscal year 1988. Sales to dealers and distributors represented 68 percent, 75 percent and 73 percent of domestic net revenues in fiscal years 1990, 1989 and 1988, respectively. The balance of the Company's domestic sales were made to educational institutions, government agencies and, through the Company's major accounts program, to large corporations.

For a breakdown of revenues by geographic area see Segment Information — Worldwide Operations in Notes to Consolidated Financial Statements.

**Cost of Revenues**

(In millions)	1990	Increase	1989	Increase	1988
Cost of Revenues	\$22.5	55%	\$14.5	37%	\$10.6
Percentage of net revenues	13%		12%		13%

Cost of revenues includes royalty payments, production of technical manuals and associated materials, purchase of blank disks, the cost of transferring the software programs onto these disks and the amortization of capitalized soft-

ware development costs. Cost of revenues as a percentage of net revenues increased one percentage point over fiscal year 1989. While the product mix over the last two fiscal years has not changed significantly, sales of updates to AutoCAD Release 10, at a significantly lower price than the new packages, contributed to the increase. Another factor contributing to the increase in cost of revenues is the amortization of capitalized software development costs associated with both AutoCAD Release 10 and the Generic Software, Inc. acquisition. In future years, as lower priced products comprise a larger percentage of net revenues, cost of revenues as a percentage of net revenues may increase.

**Operating Expenses**

(In millions)	1990	Increase	1989	Increase	1988
Marketing and Sales	\$46.8	47%	\$31.9	63%	\$19.6
Percentage of net revenues	26%		27%		25%
Research and Development	\$21.3	95%	\$10.9	52%	\$ 7.2
Percentage of net revenues	12%		9%		9%
General and Administrative	\$20.9	60%	\$13.1	23%	\$10.6
Percentage of net revenues	12%		11%		13%

Marketing and sales expenses include compensation, travel and facility costs for the Company's sales, marketing and product support personnel, commissions to non-employee sales representatives, advertising and other programs aimed at increasing revenues from corporate accounts, AutoCAD expositions held at various locations worldwide, cooperative advertising programs and various programs designed for the educational and government markets. Marketing and sales expenses increased in absolute dollars which reflects the continuing expansion of the Company's domestic and international markets. However, these expenses have remained relatively level as a percentage of net revenues during the last three fiscal years.

Research and development expenses consist primarily of salary costs for software developers and the cost of computer equipment used in software development. These expenses have increased significantly as a result of hiring additional software development personnel and acquisitions in fiscal years 1990 and 1989. Total research and development costs, including capitalized software development costs, amounted to 13 percent, 12 percent and 11 percent of net revenues in fiscal years 1990, 1989 and 1988, respectively. The Company intends to continue to recruit and hire experienced software developers while at the same time considering the acquisition of complementary software technology and products.

General and administrative expenses include the finance, accounting, customer service, legal, purchasing, facilities and administrative operations of the Company.

These expenses increased slightly as a percentage of net revenues over fiscal year 1989 primarily due to the amortization of goodwill relating to the Generic Software, Inc. acquisition and a one-time charge of approximately \$1 million resulting from the consolidation of the MCAE Development Group from Atlanta, Georgia to Northern California. The decrease, as a percentage of net revenues, from fiscal year 1988 to fiscal year 1989, was due primarily to economies of scale.

**Interest and Other Income**

(In millions)	1990	Increase	1989	Increase	1988
Interest and Other Income	\$9.4	30%	\$7.2	89%	\$3.8
Percentage of net revenues	5%		6%		5%

Interest income was \$8.8 million, \$6.6 million and \$3.4 million for fiscal years 1990, 1989 and 1988, respectively. Growth in interest income is attributable to a larger investment portfolio resulting from funds generated from operations, higher interest rates in the current fiscal year and additional capital raised in a public offering of common stock in June 1987. Interest income has continued to increase even though, for the first time in its history, the Company paid cash dividends of \$38.7 million in the current fiscal year. These dividend payments were comprised of a special one-time dividend of \$1.50 per share and a quarterly dividend of \$0.10 per share beginning with the quarter ended October 31, 1989. It is the Company's present intention to pay regular cash dividends of approximately \$0.10 per share on a quarterly basis.

**Provision for Income Taxes**

(In millions)	1990	Increase	1989	Increase	1988
Provision for Income Taxes	\$30.0	40%	\$21.5	48%	\$14.5
Percentage of net revenues	17%		18%		18%
Effective income tax rate	39%		40%		41%

The Company adopted Financial Accounting Standards Board Statement No. 96, "Accounting for Income Taxes," in the current fiscal year. The statement did not have a material effect on the Company's financial position or results of operations. For an analysis of the differences between the statutory and the effective income tax rates, see Income Taxes in Notes to Consolidated Financial Statements.

**Net Income and Net Income Per Share**

(In millions, except per share data)	1990	Increase	1989	Increase	1988
Net Income	\$46.4	42%	\$32.7	59%	\$20.5
Percentage of net revenues	26%		28%		26%
Net Income Per Share	\$1.91	41%	\$1.35	52%	\$0.89

The Company's results of operations to date have not been measurably affected by seasonal trends. See Quarterly Financial Information on page 28 for unaudited quarterly information for fiscal years 1990, 1989 and 1988. The Company believes that in the future, however, its results of operations in a quarterly period could be impacted by factors such as order deferrals in anticipation of new product releases, delays in the shipment of new products, slower growth rate in the personal computer CAD market or adverse changes in general economic conditions. In addition, with a significant portion of net revenues and net income contributed by international operations, fluctuations of the U.S. dollar against foreign currencies and the seasonality of European and Pacific Basin markets could impact results of operations and financial condition in a particular quarter. Further, increased competition in the market for computer-aided design software could result in pricing pressures which could have a negative impact on the Company's results of operations.

**Liquidity and Capital Resources**

Working capital, which consists principally of cash, cash equivalents and marketable securities, at January 31, 1990 was \$114.0 million compared to \$114.4 million at January 31, 1989. The ratio of current assets to current liabilities was 4.7:1 at January 31, 1990 compared to 7.2:1 at January 31, 1989. Dividend payments of approximately \$38.7 million and increases in income taxes payable accounted for the decline in the current ratio during fiscal year 1990.

Cash, cash equivalents and marketable securities decreased approximately \$6.3 million in fiscal year 1990. Cash flows provided by operations totaling \$52.1 million were offset by dividend payments of \$38.7 million, the purchase of \$13.4 million of computer equipment, furniture and leasehold improvements and the purchase of Generic Software, Inc. for \$6.3 million.

Cash flows provided from operations during fiscal year 1989 totaled \$39.5 million of which \$27.4 million was retained as cash and cash equivalents or was used to purchase marketable securities and \$9.2 million was used to purchase computer equipment, furniture and leasehold improvements.

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 and the possible acquisition of software products or technologies complementary to the Company's business. The Company believes that its existing cash, cash equivalents and marketable securities and cash generated from operations are sufficient to satisfy its currently anticipated cash requirements.

The Company's principal commitments at January 31, 1990 consisted of obligations under operating leases.

The Company has not experienced any significant effects from inflation or currency rate fluctuations in recent years.

Years ended January 31,	1990	1989	1988
(In thousands, except net income per share)			
Net revenues	\$178,591	\$117,302	\$79,257
Costs and expenses:			
Cost of revenues	22,487	14,507	10,552
Marketing and sales	46,848	31,859	19,641
Research and development	21,308	10,921	7,206
General and administrative	20,922	13,098	10,649
	111,565	70,385	48,048
Income from operations	67,026	46,917	31,209
Interest and other income, net	9,390	7,248	3,838
Income before income taxes	76,416	54,165	35,047
Provision for income taxes	30,038	21,470	14,506
Net income	\$ 46,378	\$ 32,695	\$20,541
Net income per share	\$1.91	\$1.35	\$0.89
Shares used in computing net income per share	24,325	24,140	23,180

See accompanying notes.

**Consolidated Balance Sheet**

January 31,	1990	1989
(In thousands)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 59,548	\$ 49,633
Marketable securities	46,085	58,178
Accounts receivable, net of allowance for doubtful accounts of \$2,390 (\$1,759 in 1989)	26,403	16,354
Inventories	4,044	2,371
Deferred income taxes	3,758	2,711
Prepaid expenses and other current assets	5,178	3,808
Total current assets	145,016	133,055
Marketable securities	12,092	16,204
Computer equipment, furniture and leasehold improvements, at cost:		
Computer equipment and furniture	28,529	17,034
Leasehold improvements	6,006	3,553
Less accumulated depreciation	(12,571)	(7,175)
Net computer equipment, furniture and leasehold improvements	21,964	13,412
Capitalized software	4,834	4,024
Other assets	10,408	3,198
	<u>\$194,314</u>	<u>\$169,893</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,611	\$ 3,854
Accrued compensation	3,619	2,746
Other accrued liabilities	4,822	3,603
Income taxes payable	16,013	8,405
Total current liabilities	31,065	18,608
Deferred income taxes	3,568	3,053
Other liabilities	560	498
Commitments		
Shareholders' equity:		
Preferred stock, no par value; 2,000,000 shares authorized, none issued or outstanding		
Common stock, no par value; 50,000,000 shares authorized, 24,245,000 shares issued and outstanding (24,005,000 in 1989)	77,833	74,364
Retained earnings	80,461	72,777
Foreign currency translation adjustment	827	593
Total shareholders' equity	159,121	147,734
	<u>\$194,314</u>	<u>\$169,893</u>

*See accompanying notes.*

# Consolidated Statement of Cash Flows

Years ended January 31,	1990	1989	1988
(In thousands)			
<b>Cash flows from operating activities:</b>			
Net income	\$ 46,378	\$ 32,695	\$ 20,541
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,873	3,881	2,613
Changes in assets and liabilities:			
Accounts receivable	(9,398)	(5,001)	(3,223)
Inventories	(1,361)	(659)	(589)
Deferred income taxes	(532)	630	(2)
Prepaid expenses and other current assets	(1,234)	(1,764)	(912)
Accounts payable and accrued liabilities	2,746	4,526	2,512
Income taxes payable	7,608	5,224	791
Net cash provided by operating activities	52,080	39,532	21,731
<b>Cash flows from investing activities:</b>			
Purchases of marketable securities	(58,325)	(90,828)	(53,168)
Sales of marketable securities	74,530	65,297	21,160
Purchases of computer equipment, furniture and leasehold improvements	(13,437)	(9,155)	(6,505)
Acquisition of Generic Software, Inc.	(6,337)		
Additions to capitalized software	(1,287)	(2,948)	(1,429)
Other	(1,789)	(1,512)	(775)
Net cash used in investing activities	(6,645)	(39,146)	(40,717)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common shares, net of issuance costs	3,174	1,467	59,308
Dividends paid	(38,694)		
Net cash provided (used) by financing activities	(35,520)	1,467	59,308
Net increase in cash and cash equivalents	9,915	1,853	40,322
Cash and cash equivalents at beginning of year	49,633	47,780	7,458
Cash and cash equivalents at end of year	\$ 59,548	\$ 49,633	\$ 47,780

See accompanying notes.

# Consolidated Statement of Shareholders' Equity

Three-year period ended January 31, 1990 (In thousands)	Common stock		Retained earnings	Foreign currency translation adjustment	Total shareholders' equity
	Shares	Amount			
<b>Balance, January 31, 1987</b>	20,575	\$13,355	\$ 19,870	\$ 757	\$ 33,982
Common shares issued in public offering, net of issuance costs	2,500	57,316			57,316
Common shares issued upon exercise of stock options and warrants	453	1,142			1,142
Tax effect of stock options		850			850
Acquisition of Cadetron, Inc.	296	234	(329)		(95)
Net income			20,541		20,541
Foreign currency translation adjustment				1,029	1,029
<b>Balance, January 31, 1988</b>	23,824	72,897	40,082	1,786	114,765
Common shares issued under stock option and stock purchase plans	181	1,321			1,321
Tax effect of stock options		146			146
Net income			32,695		32,695
Foreign currency translation adjustment				(1,193)	(1,193)
<b>Balance, January 31, 1989</b>	24,005	74,364	72,777	593	147,734
Common shares issued under stock option and stock purchase plans	240	3,171			3,171
Tax effect of stock options		298			298
Net income			46,378		46,378
Dividends paid			(38,694)		(38,694)
Foreign currency translation adjustment				234	234
<b>Balance, January 31, 1990</b>	24,245	\$77,833	\$ 80,461	\$ 827	\$159,121

See accompanying notes.

**Summary of Significant Accounting Policies****Operations**

Autodesk, Inc. ("Autodesk" or the "Company") develops, markets and supports computer-aided design and engineering software products for desktop computers and workstations as well as multimedia software products. The Company distributes its products worldwide and has operations in Europe, the Pacific Basin and the United States.

**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. The foreign currency translation adjustments are reflected as a separate component of shareholders' equity. Gains and (losses) resulting from foreign currency transactions are included in other income and were (\$174,000), \$213,000 and \$392,000 in fiscal years 1990, 1989 and 1988, respectively.

In May 1989, the Company acquired all of the outstanding stock of Generic Software, Inc. for approximately \$6,337,000 in cash which was allocated principally to capitalized software and intangible assets. This acquisition was accounted for as a purchase. The results of operations of Generic Software, Inc., which have not been significant in relation to those of the Company, have been included in the consolidated financial statements from the date of acquisition.

**Cash and cash equivalents**

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

**Marketable securities**

Marketable securities, consisting principally of municipal bonds, are stated at cost, which approximates market value. Marketable securities with maturities not exceeding one year are classified as current assets.

**Inventories**

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

**Depreciation and amortization**

Depreciation is computed 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.

**Capitalized software**

Costs incurred in the initial design phase of software development are expensed as incurred. Once the point of technological feasibility is reached, direct production costs (programming and testing) are capitalized and amortized ratably as sales are recognized, but not less than on a straight-line basis over a two to five year period. Amortization expense was \$2,477,000, \$592,000 and \$156,000 in fiscal years 1990, 1989 and 1988, respectively.



**Net income per share**

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

**Note 2****Royalties**

The Company licenses certain software used to develop the basic AutoCAD package, Autodesk Animator and AutoCAD AEC. The royalties are payable to the developers of the software at 7 to 24 percent of net revenues from sales of the basic packages, excluding enhancements developed by the Company. Royalty expense was \$2,219,000, \$1,983,000 and \$1,118,000 in fiscal years 1990, 1989 and 1988, respectively. Such costs are included as a component of the cost of revenues.

**Note 3****Income Taxes**

The Company adopted Financial Accounting Standards Board Statement No. 96, "Accounting for Income Taxes," in fiscal year 1990. In accordance with this statement, deferred income taxes are recorded using enacted tax laws and rates for the years in which the taxes are expected to be paid. For years prior to fiscal year 1990, deferred income taxes were recorded using tax laws in effect for each year without adjustment for subsequent changes in tax laws and rates. Adoption of this statement did not have a material effect on the Company's financial position or results of operations.

The provision for income taxes consists of the following:

(In thousands)	1990	1989	1988
Federal:			
Current	\$13,577	\$12,960	\$10,347
Deferred	(1,270)	(308)	(540)
State:			
Current	4,926	3,273	1,784
Deferred	(217)	11	188
Foreign:			
Current	12,886	4,607	2,377
Deferred	136	927	350
	<u>\$30,038</u>	<u>\$21,470</u>	<u>\$14,506</u>

Deferred taxes are provided for temporary differences between financial statement income and income for tax purposes. Deferred taxes result primarily from differences in the timing of deductions for software development costs and from the deferral of deductions of state taxes for federal income tax return purposes.

The principal reasons that the aggregate income tax provisions differ from the U.S. statutory rate (34 percent in fiscal years 1990 and 1989 and 39 percent in fiscal year 1988) are reflected below:

(In thousands)	1990	1989	1988
Income tax provision at statutory rate	\$25,981	\$18,416	\$13,644
Tax effect of earnings of foreign subsidiaries	2,659	1,086	(24)
State income taxes, net of federal tax benefit	3,108	2,167	1,204
Tax exempt interest	(1,481)	(1,731)	(993)
Other	(229)	1,532	675
	<u>\$30,038</u>	<u>\$21,470</u>	<u>\$14,506</u>

No provision has been made for federal income taxes on the unremitted earnings of the foreign subsidiaries (cumulative \$32,253,000 at January 31, 1990) as the Company plans to permanently reinvest all such earnings. However, if such earnings were remitted to the parent company, foreign tax credits would be available to substantially offset the resulting U.S. income tax.

Cash payments for income taxes were \$22,925,000, \$16,093,000 and \$13,416,000 for fiscal years 1990, 1989 and 1988, respectively.

#### Note 4

#### Lease Commitments

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.

At January 31, 1990, future minimum lease payments under capital leases (included in accrued and other liabilities) and noncancelable operating leases are as follows:

(In thousands)	Capital leases	Operating leases
Year ending January 31:		
1991	\$280	\$ 7,192
1992	234	8,409
1993	169	7,905
1994	32	6,326
1995	56	4,014
Thereafter	—	32,325
Total minimum lease payments	771	<u>\$66,171</u>
Less amount representing interest	161	
Present value of minimum lease payments	610	
Less current portion	204	
	<u>\$406</u>	

Rent expense was \$5,732,000, \$3,781,000 and \$2,429,000 in fiscal years 1990, 1989 and 1988, respectively.

## Note 5

**Stock Option Plan**

Under the Company's 1987 Stock Option Plan, incentive and nonqualified stock options may be granted to employees (nonqualified options may also be granted to directors and consultants of the Company) to purchase a maximum of 2,000,000 shares. The exercise price of the options is determined by the Board of Directors (at least 100 percent of the fair market value of the stock for incentive stock options) on the grant date.

In October 1987, holders of the Company's qualified and nonqualified stock options were given the opportunity to replace their existing options with an equivalent number of similar stock options at an exercise price of \$13.00 per share, the then current fair market value. An aggregate of 71,845 options at exercise prices of \$17.42 to \$27.75 per share were exchanged. These replacements are included in grants and cancellations in the summary of stock option activity below.

Changes in options outstanding are as follows:

	Number of shares	Price per share
Options outstanding at January 31, 1987	656,000	\$ 0.17-\$11.38
Granted	205,000	\$ 0.55-\$27.75
Exercised	(352,000)	\$ 0.17-\$17.42
Canceled	(77,000)	\$ 0.33-\$27.75
Options outstanding at January 31, 1988	432,000	\$ 0.17-\$18.00
Granted	162,000	\$22.25-\$27.50
Exercised	(164,000)	\$ 0.17-\$13.00
Canceled	(6,000)	\$11.38-\$27.50
Options outstanding at January 31, 1989	424,000	\$ 0.17-\$27.50
Granted	884,000	\$14.75-\$36.75
Exercised	(200,000)	\$ 0.17-\$27.50
Canceled	(11,000)	\$13.00-\$36.75
Options outstanding at January 31, 1990	1,097,000	\$ 0.33-\$36.75
Options exercisable at January 31, 1990	169,000	\$ 0.33-\$36.75
Options available for grant at January 31, 1990	847,000	

Certain employees have disposed of stock acquired through the exercise of incentive stock options earlier than the mandatory holding period required of qualifying incentive stock 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.

## Note 6

**Employee Stock Purchase and Savings Plans**

In February 1988, the Company adopted an employee stock purchase plan under which employees may purchase shares of the Company's common stock, subject to certain limitations, at not less than 85 percent of the lower of the fair market value at the beginning or end of a six-month period. A total of 200,000 shares have been reserved for issuance under this plan. During fiscal year 1990, 40,543 shares were issued to employees at an average price of \$24.70 per share.

The Company has a noncontributory pretax savings plan for its employees, which qualifies under Section 401(k) of the Internal Revenue Code. Under the plan, tax deferred contributions are made by employee participants electing to reduce their compensation by specified amounts.

**Note 7**

**Preferred Stock**

The Articles of Incorporation authorize 2,000,000 shares of preferred stock, none of which are issued or outstanding. The Board of Directors has the authority to issue 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 designation of such series, without any further vote or action by the shareholders.

**Note 8**

**Quarterly Financial Information (Unaudited)**

Summarized quarterly financial information for fiscal years 1990, 1989 and 1988 is as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total Year
(In thousands, except per share amounts)					
<b>1990</b>					
Net revenues	\$38,752	\$43,390	\$46,436	\$50,013	\$178,591
Income from operations	\$15,254	\$15,900	\$17,652	\$18,220	\$67,026
Net income	\$10,800	\$11,132	\$11,919	\$12,527	\$46,378
Net income per share	\$ 0.45	\$ 0.46	\$ 0.49	\$ 0.51	\$ 1.91
<b>1989</b>					
Net revenues	\$25,757	\$27,253	\$30,292	\$34,000	\$117,302
Income from operations	\$10,361	\$10,881	\$12,238	\$13,437	\$46,917
Net income	\$ 7,246	\$ 7,599	\$ 8,506	\$ 9,344	\$ 32,695
Net income per share	\$ 0.30	\$ 0.31	\$ 0.35	\$ 0.39	\$ 1.35
<b>1988</b>					
Net revenues	\$17,292	\$18,778	\$20,208	\$22,979	\$79,257
Income from operations	\$ 7,270	\$ 7,734	\$ 7,525	\$ 8,680	\$ 31,209
Net income	\$ 3,880	\$ 4,816	\$ 5,436	\$ 6,409	\$ 20,541
Net income per share	\$ 0.18	\$ 0.21	\$ 0.23	\$ 0.27	\$ 0.89

## Note 9

**Segment Information—Worldwide Operations**

The Company develops, markets and supports a family of computer-aided design and engineering software products for desktop computers and workstations, which are marketed worldwide. Information regarding geographic areas at January 31, 1990, 1989 and 1988 and for the years then ended is as follows:

	United States	Europe	Pacific Basin	Consolidation Eliminations	Consolidated Total
(In thousands)					
Year ended January 31, 1990:					
Net revenues	\$ 96,857	\$58,756	\$22,978		\$178,591
Net revenues between geographic areas	16,595			\$(16,595)	
<b>Total net revenues</b>	<b>\$113,452</b>	<b>\$58,756</b>	<b>\$22,978</b>	<b>\$(16,595)</b>	<b>\$178,591</b>
Income from operations	\$ 38,450	\$21,860	\$ 6,716		\$ 67,026
Income before income taxes	\$ 45,938	\$23,551	\$ 6,927		\$ 76,416
Identifiable assets	\$155,696	\$46,245	\$12,315	\$(19,942)	\$194,314
Year ended January 31, 1989:					
Net revenues	\$ 69,673	\$34,415	\$13,214		\$117,302
Net revenues between geographic areas	9,108			\$( 9,108)	
<b>Total net revenues</b>	<b>\$ 78,781</b>	<b>\$34,415</b>	<b>\$13,214</b>	<b>\$( 9,108)</b>	<b>\$117,302</b>
Income from operations	\$ 34,694	\$ 9,214	\$ 3,009		\$ 46,917
Income before income taxes	\$ 40,957	\$ 9,908	\$ 3,300		\$ 54,165
Identifiable assets	\$151,037	\$21,861	\$ 8,809	\$(11,814)	\$169,893
Year ended January 31, 1988:					
Net revenues	\$ 49,968	\$23,373	\$ 5,916		\$ 79,257
Net revenues between geographic areas	5,280			\$( 5,280)	
<b>Total net revenues</b>	<b>\$ 55,248</b>	<b>\$23,373</b>	<b>\$ 5,916</b>	<b>\$( 5,280)</b>	<b>\$ 79,257</b>
Income from operations	\$ 24,180	\$ 6,259	\$ 770		\$ 31,209
Income before income taxes	\$ 27,974	\$ 6,274	\$ 799		\$ 35,047
Identifiable assets	\$111,169	\$15,413	\$ 4,579	\$( 5,710)	\$125,451

Information for Europe and the Pacific Basin represents the operations of the Company's foreign subsidiaries. Net revenues between geographic areas consist of royalty revenue derived from the foreign subsidiaries. Included in net revenues from the United States are \$15,661,000, \$8,668,000 and \$4,998,000 in fiscal years 1990, 1989 and 1988, respectively, to unaffiliated customers outside the United States.

At January 31, 1990, 1989 and 1988, total foreign net equity was \$35,289,000, \$16,713,000 and \$9,039,000, respectively.

The Board of Directors and Shareholders  
Autodesk

We have audited the accompanying consolidated balance sheet of Autodesk as of January 31, 1990 and 1989, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 1990. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Autodesk as of January 31, 1990 and 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 1990 in conformity with generally accepted accounting principles.

*Ernst + Young*

San Francisco, California  
February 22, 1990

## Officers

Alvar J. Green  
*Chairman of the Board*  
*President, Chief Executive Officer*

Malcolm L. Davies  
*Senior Vice President*  
*Marketing and Sales*

Volker Kleinn  
*Vice President*  
*European Operations*

Ronald McElhaney  
*Vice President*  
*Software Development*

Carolyn V. Aver  
*Chief Financial Officer*

## Directors

Alvar J. Green  
*Chairman of the Board*  
*President, Chief Executive Officer*  
*Autodesk, Inc.*

Daniel Drake  
*Programmer and Systems Analyst*  
*Autodesk, Inc.*

Gregory Lutz  
*Programmer and Systems Analyst*  
*Autodesk, Inc.*

J. Hallam Dawson  
*Chairman of IDI Associates*  
*A Latin American Merchant/Investment Bank*

James D. Stocker  
*President of James Stocker & Associates, International Consultants*

## Corporate Headquarters

2320 Marinship Way, Sausalito, California 94965  
Phone: 415/332-2344

## European Headquarters

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

## U.S. Subsidiaries

AMIX Corporation  
2345 Yale Street, Palo Alto, California 94306

Generic Software, Inc.  
11911 North Creek Parkway South, Bothell, Washington 98011

Xanadu Operating Company  
550 California Avenue, Suite 100, Palo Alto, California 94306

## International Subsidiaries

Autodesk AB  
Molndalsvagen 24, S-400 20 Gothenburg  
Sweden

Autodesk AG  
Zurlindenstrasse 29, CH-4133 Pratteln  
Switzerland

Autodesk Softrade AG  
Gueterstrasse 137, CH-4053 Basel  
Switzerland

Autodesk GesmbH  
Kaiser-Josef-Platz 53, A-4600 Wels  
Austria

Autodesk S.A.  
Avda. Diagonal 523 5o 4a, E-08029 Barcelona  
Spain

Autodesk GmbH  
Lyoner Strasse 14, D-6000 Frankfurt 71  
West Germany

Autodesk Ltd.  
South Bank Technopark  
90 London Road, London SE1 6LN  
England

Autodesk Ltd. Japan  
Unosawa Tokyu Building 4F  
1-19-15 Ebisu, Shibuya-Ku, Tokyo 150  
Japan

Autodesk Australia Pty. Ltd.  
9 Clifton Street, Richmond, Victoria 3121  
Australia

Autodesk S.A.R.L.  
7, Cour Des Roches  
BP 207 Cedex 2, F-77186 Noisiel,  
France

Autodesk S.R.L.  
Centro Direzionale Colleoni  
Palazzo Cassiopea,  
Ingresso 3, Terzo Piano, 1-20041 Agrate-Brianza (MI),  
Italy

## Legal Counsel

Wilson, Sonsini, Goodrich and Rosati  
Two Palo Alto Square, Palo Alto, CA 94306

## Transfer Agent

Bank of America  
Corporate Agency Service Center  
55 Hawthorne Street, San Francisco, CA 94105  
Shareholder Inquiries: 415/624-4100

## Independent Auditors

Ernst & Young  
555 California Street, San Francisco, CA 94104

**Market Information and Dividend Policy**

1990	High	Low
First Quarter	35	26½
Second Quarter	39½	33
Third Quarter	43½	35½
Fourth Quarter	42	32¼
<b>1989</b>		
First Quarter	29½	16¾
Second Quarter	31¼	25
Third Quarter	29¼	23
Fourth Quarter	32¼	22¾
<b>1988</b>		
First Quarter	31½	16½
Second Quarter	28½	20¾
Third Quarter	32¾	13
Fourth Quarter	22¾	16

The Company's common stock is traded over the counter on the NASDAQ National Market System using the symbol "ACAD."

As of April 7, 1990, the approximate number of shareholders of record of common shares was 1,737.

During fiscal year 1990, the Company paid a special one-time cash dividend of \$1.50 per share and, beginning with the quarter ended October 31, 1989, a quarterly dividend of \$0.10 per share. The Company intends to continue to pay regular cash dividends of approximately \$0.10 per share on a quarterly basis.

**Annual Meeting**

The Company's Annual Meeting of Shareholders will be held at 3:00 P.M. on June 8, 1990 at the Autodesk offices, 3950 Civic Center Drive, San Rafael, California 94903.

**Form 10-K**

A copy of the Company's Annual Report on Form 10-K for fiscal year 1990 filed with the Securities and Exchange Commission may be obtained without charge by sending a written request to the Company Secretary at 2320 Marinship Way, Sausalito, CA 94965.