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

FORM 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended October 31, 2001

OR

[_] 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 incorporation or organization)	(I.R.S. Employer Identification No.)

111 McInnis Parkway
San Rafael, California 94903
(Address of principal executive offices)

Telephone Number (415) 507-5000
(Registrant's telephone number, including area code)

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 [_]

As of October 31, 2001, there were approximately 54.8 million shares of the Registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AUTODESK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three months ended October 31,		Nine months ended October 31,	
	2001	2000	2001	2000
	(Unaudited)			
Net revenues	$216,357	$229,177	$693,457	$693,277
Costs and expenses:				
Cost of revenues	37,799	37,956	109,717	113,891
Marketing and sales	81,109	81,234	254,666	235,701
Research and development	39,637	42,658	129,379	125,185
General and administrative	32,492	32,387	98,131	97,315
Amortization of goodwill and purchased intangibles	5,198	5,856	15,679	20,916
Nonrecurring charges (credits)	7,290	(434)	17,064	(1,234)
	203,525	199,657	624,636	591,774
Income from operations	12,832	29,520	68,821	101,503
Interest and other income, net	4,325	6,372	17,313	13,646
Gain on disposal of affiliate	9,461	--	9,461	--
Income before income taxes	26,618	35,892	95,595	115,149
Provision for income taxes	(5,147)	(11,485)	(25,840)	(36,824)
Equity in net loss of affiliate	--	(5,896)	(1,211)	(13,455)
Net income	$ 21,471	$ 18,511	$ 68,544	$ 64,870
Basic net income per share	$ 0.39	$ 0.33	$ 1.27	$ 1.12
Diluted net income per share	$ 0.38	$ 0.32	$ 1.23	$ 1.09
Shares used in computing basic net income per share	54,370	56,681	54,093	57,825
Shares used in computing diluted net income per share	56,010	57,073	55,751	59,319

See accompanying notes.

AUTODESK, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	October 31, 2001 (Unaudited)	January 31, 2001 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 110,594	$ 116,391
Marketable securities	141,936	142,961
Accounts receivable, net	141,438	157,422
Inventories	20,788	17,255
Deferred income taxes	29,694	26,696
Prepaid expenses and other current assets	39,151	30,596
Total current assets	483,601	491,321
Marketable securities	175,113	163,148
Computer equipment, furniture, and leasehold improvements, at cost:		
Computer equipment and furniture	198,242	171,176
Leasehold improvements	29,942	27,145
Less accumulated depreciation	(158,509)	(144,325)
Net computer equipment, furniture, and leasehold improvements	69,675	53,996
Purchased technologies and capitalized software, net	18,739	16,403
Goodwill, net	47,580	54,273
Deferred income taxes	47,136	18,242
Other assets	11,329	10,376
	$ 853,173	$ 807,759
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 48,732	$ 47,962
Accrued compensation	51,662	55,907
Accrued income taxes	103,805	97,109
Deferred revenues	59,900	50,993
Other accrued liabilities	96,810	81,942
Total current liabilities	360,909	333,913
Other liabilities	713	1,208
Commitments and contingencies		
Minority interest	--	12,964
Stockholders' equity:		
Common stock and additional paid-in capital	433,777	424,652
Accumulated other comprehensive loss	(17,856)	(16,104)
Deferred compensation	(920)	(1,172)
Retained earnings	76,550	52,298
Total stockholders' equity	491,551	459,674
	$ 853,173	$ 807,759

See accompanying notes.

AUTODESK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine months ended October 31, 2001	Nine months ended October 31, 2000
	(Unaudited)	
Operating activities		
Net income	$ 68,544	$ 64,870
Adjustments to reconcile net income to net cash provided by operating activities:		
Charge for acquired in-process research and development	3,180	--
Depreciation and amortization	47,228	52,498
Equity in net loss of affiliate	1,211	13,455
Gain on disposal of affiliate	(9,461)	--
Tax benefits from employee stock plans	8,268	20,043
Changes in operating assets and liabilities	10,516	(22,327)
Net cash provided by operating activities	129,486	128,539
Investing activities		
Net (purchases) maturities of marketable securities	(10,790)	96,206
Capital and other expenditures	(36,706)	(24,911)
Acquisitions, net of cash acquired	(34,271)	--
Investments in unconsolidated entities	--	(23,800)
Other investing activities	(4,602)	6,769
Net cash (used in) provided by investing activities	(86,369)	54,264
Financing activities		
Repayment of notes payable and borrowings	(276)	(221)
Repurchases of common stock	(87,287)	(292,744)
Proceeds from issuance of common stock, net of issuance costs	53,605	107,029
Dividends paid	(9,753)	(10,333)
Minority interest	(2,656)	13,957
Net cash used in financing activities	(46,367)	(182,312)
Effect of exchange rate changes on cash and cash equivalents	(2,547)	(13,232)
Net decrease in cash and cash equivalents	(5,797)	(12,741)
Cash and cash equivalents at beginning of year	116,391	108,641
Cash and cash equivalents at end of period	$110,594	$ 95,900
Supplemental cash flow information:		
Cash paid during the period for income taxes	$ 18,853	$ 9,184

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. These statements should be read in conjunction with the consolidated financial statements and notes, together with management's discussion and analysis of financial condition and results of operations, contained in Autodesk's fiscal 2001 Annual Report on Form 10-K. The results of operations for the three and nine months ended October 31, 2001 are not necessarily indicative of the results for the entire fiscal year ending January 31, 2002.

2. Recently Issued Accounting Standards

During July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"). This Statement requires all business combinations to be accounted for using the purchase method accounting and redefines goodwill and other intangibles that should be recognized separate from goodwill. SFAS 141 is effective for all business combinations initiated after June 30, 2001.

During July 2001, the Financial Accounting Standards Board also issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). This Statement requires, among other things, that goodwill not be amortized, but be tested for impairment at least annually. Application of SFAS 142 is required immediately for business combinations completed after June 30, 2001; however, for transactions completed prior to this date, Autodesk plans to adopt the provisions of SFAS 142 on February 1, 2002. The beneficial pre-tax impact resulting from the adoption of the goodwill non-amortization provision of SFAS 142 will be less than $5.0 million per quarter.

3. Business Combinations

Buzzsaw.com, Inc. ("Buzzsaw")

On August 20, 2001 Autodesk acquired the remaining outstanding stock of Buzzsaw for $15.0 million in cash plus the assumption of $13.3 million of liabilities. Prior to the acquisition, Autodesk held a 40 percent interest in Buzzsaw, a privately held company that provides leading online collaboration applications to improve efficiencies and reduce costs for the building industry. The acquisition of Buzzsaw is part of Autodesk's strategy to extend its business to complementary new markets. Buzzsaw's results of operations, which are not material in relation to Autodesk, have been included in the consolidated financial statements since the acquisition date. Prior to the acquisition date, Autodesk accounted for its interest in Buzzsaw using the equity method of accounting. The acquisition was accounted for under the purchase method of accounting pursuant to SFAS 141.

The following unaudited pro forma summary is provided for illustrative purposes only and is not necessarily indicative of the consolidated results of operations for future periods or that actually would have been realized had Autodesk acquired the remaining 60% interest in Buzzsaw on February 1, 2000.

The pro forma summary includes the impact of certain adjustments resulting from the allocation of the purchase consideration and reversal of the equity in net losses that Autodesk recognized.

	Nine months ended October 31, 2001	2000
	(In thousands, except per share data)	
Net revenues	$699,221	$696,831
Net income	$ 51,838	$ 58,873
Basic earnings per share	$ 0.96	$ 1.02
Diluted earnings per share	$ 0.93	$ 0.99

Autodesk believes that Buzzsaw's future on-going operating losses will be significantly less than what Buzzsaw historically incurred. In an effort to reduce operating costs and expenses, Buzzsaw eliminated 141 positions (55% of its workforce) between January 1, 2001 and August 20, 2001. Of the total number of positions eliminated, 58 were eliminated in August 2001. Additionally, Autodesk recently decided to close Buzzsaw's headquarters office in San Francisco, California, and move the Buzzsaw employees to a new Autodesk office location, which is also in San Francisco (see Note 8, Nonrecurring Charges for further discussion). As a result of these recent actions, Autodesk does not believe that the pro forma information above is indicative of Autodesk's future combined operating results or financial position.

During the period from February 1, 2001 to August 20, 2001, Autodesk recognized $1.2 million of losses associated with its equity investment in Buzzsaw.com. None of these losses were recognized during the second or third quarters since Autodesk had previously expensed all prior investments made. During the nine months ended October 31, 2000, Autodesk recognized $13.5 million of losses, of which $5.9 million were recognized during the third quarter of fiscal 2001.

Software Division of Media 100, Inc. ("Media 100")

During October 2001, Autodesk acquired the software division of Media 100 for $16.0 million in cash. The acquisition provides Autodesk with streaming media technology for, among other things, the immediate playback of content over the Internet.

The acquisition was accounted for under the purchase method of accounting pursuant to SFAS 141. Management's preliminary allocation of the purchase price, which is based on valuations of acquired assets performed by a third party, is as follows (in thousands):

Inventory and computer hardware	$ 558
Intangible assets and amounts:	
In-process research and development ("IPR&D")	3,180
Developed technologies	7,380
Brand names	620
Goodwill	4,262
	$16,000

The value assigned to IPR&D, which was expensed as a nonrecurring charge during the third quarter, was determined by identifying projects in areas where technological feasibility had not been achieved and alternative future uses did not exist. The amounts assigned to developed technologies and brand names have useful lives up to 3 and 6 years, respectively.

All of the intangibles listed above, including the $4.3 million of goodwill, are deductible for tax purposes. These assets were assigned to the Discreet Segment of Autodesk.

4. Financial Instruments

On February 1, 2001 Autodesk adopted the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). Under SFAS 133, all derivatives, whether in hedging relationships or not, are required to be recorded on the balance sheet at fair value. Gains and losses resulting from changes in fair value are accounted for depending upon the use of the derivative and whether it is designated and qualifies for hedge accounting. The adoption of SFAS 133 did not have a material impact on Autodesk's financial position and results of operations.

Autodesk uses derivative instruments to manage its earnings and cash flow exposures to fluctuations in foreign currency exchange rates. Under its risk management strategy, Autodesk uses foreign currency forward and option contracts to manage its exposures of underlying assets, liabilities and other obligations, which exist as part of the ongoing business operations. Generally, Autodesk's practice is to hedge a majority of its short-term foreign exchange transaction exposures. Contracts are primarily denominated in European and Asian currencies, and Autodesk does not enter into any foreign exchange derivative instruments for trading or speculative purposes.

Autodesk's forward contracts, which are not designated as hedging instruments under SFAS 133, have average maturities of 60 days or less. The forwards are used to reduce the exchange rate risk associated primarily with receivables and payables. Forward contracts are marked-to-market at the end of each reporting period, with gains and losses recognized as other income or expense to offset the gains or losses resulting from the settlement of the underlying foreign currency denominated receivables and payables.

In addition to the forward contracts, Autodesk utilizes foreign currency option contracts to reduce the exchange rate impact on the net revenue of certain anticipated transactions. These option contracts, which are designated and documented as cash flow hedges and qualify for hedge accounting treatment under SFAS 133, have maturities of less than three months and settle before the end of each fiscal quarter. Autodesk's financial exposure is generally limited to the amount paid for the options.

Gains, if any, from the effective portion of the option contracts, as determinable under SFAS 133, are recognized as net revenues, while the ineffective portion of the gain is recorded as other income. During the first nine months of fiscal 2002, Autodesk recognized net settlement gains of $0.6 million as net revenues; of this amount, $0.3 million related to settlement losses recognized during the third quarter. Amounts associated with net settlement gains totaling $0.2 million were recorded as other income during the first nine months of fiscal 2002.

5. Net Income Per Share

The following is a reconciliation of the numerators and denominators used in the basic and diluted net income per share amounts:

	Three months ended October 31, 2001	Three months ended October 31, 2000	Nine months ended October 31, 2001	Nine months ended October 31, 2000
	(In thousands)			
Numerator:				
Numerator for basic and diluted per share--net income	$21,471	$18,511	$68,544	$64,870
Denominator:				
Denominator for basic net income per share--weighted average shares	54,370	56,681	54,093	57,825
Effect of dilutive common stock options	1,640	392	1,658	1,494
Denominator for dilutive net income per share	56,010	57,073	55,751	59,319

For the three months ended October 31, 2001 and 2000, options to purchase 4.6 million and 10.3 million shares, respectively, were excluded from the computation of diluted net income per share. For the nine months ended October 31, 2001 and 2000, options to purchase 4.7 million and 5.3 million shares, respectively, were excluded from the computation of diluted net income per share. These options were excluded because the options' exercise prices were greater than the average market prices of Autodesk's common stock during the respective periods.

6. Comprehensive Income

Autodesk's total comprehensive income was as follows:

	Three months ended October 31, 2001	Three months ended October 31, 2000	Nine months ended October 31, 2001	Nine months ended October 31, 2000
	(In thousands)			
Net income	$21,471	$18,511	$68,544	$64,870
Other comprehensive loss, net	1,682	(2,872)	(1,752)	(3,919)
Total comprehensive income	$23,153	$15,639	$66,792	$60,951

7. Gain on Disposal of Affiliate

During October 2001, the shareholders of RedSpark, Inc. ("RedSpark") approved a plan to dissolve the company. Autodesk has maintained a majority interest in RedSpark's voting stock since RedSpark was formed in April 2000. Accordingly, Autodesk consolidated RedSpark's financial position and results of operations.

As a result of the plan to dissolve RedSpark, Autodesk recognized during the third quarter a one-time non-cash gain of $9.5 million. This gain, which resulted from the reversal of the minority interest liability balance, represents the reversal of cumulative losses recognized in excess of the amount that Autodesk originally invested.

8. Nonrecurring Charges

During the nine months ended October 31, 2001 Autodesk recognized $17.1 million of nonrecurring charges. These charges resulted from restructuring and reorganization activities ($10.3 million), the acquisition of the software division of Media 100 ($3.2 million--see Note 3) and the wind-down costs associated with the dissolution of RedSpark ($3.6 million--see Note 7).

Of the $3.6 million of RedSpark wind-down costs, $1.3 million related to losses on asset disposals, $2.1 million related to employee termination costs and $0.2 million related to one-time costs. At October 31, 2001 the remaining liability totaled $1.2 million.

Of the $10.3 million associated with restructuring and reorganization activities, $0.5 million of which was recognized during the third quarter, $7.9 million related to office closure costs, $1.5 million related to employee termination costs and $0.9 million related to one-time reorganization activities. Office closure costs included losses on operating leases and the write-off of leasehold improvements and equipment. Employee termination costs associated with staff reductions mostly in the United States consisted of wage continuation, advance notice pay and medical benefits.

During the nine months ended October 31, 2001, 130 employee positions were terminated, most of which were held by RedSpark employees, as a result of the dissolution of RedSpark.

The following table sets forth the restructuring and reorganization activities, including RedSpark wind-down costs, that occurred during the quarter ended October 31, 2001:

	Balance at July 31, 2001	Additions	Charges Utilized	Reversals	Balance at October 31, 2001
	(In thousands)				
Office closure costs......	$7,981	$2,543	$ (18)	$ --	$10,506
Employee termination costs	708	2,554	(1,529)	--	1,733
Losses on asset disposals.	--	1,292	(1,292)	--	--
One-time costs...........	167	221	--	--	388
Total..................	$8,856	$6,610	$(2,839)	$ --	$12,627

In addition to the nonrecurring charges described above, Autodesk recorded a $2.5 million liability during the third quarter for the closure of Buzzsaw's headquarters. This liability, which consisted primarily of losses on the underlying operating lease was recorded as part of the Buzzsaw purchase consideration allocation.

During the first nine months of fiscal 2001, Autodesk reversed $1.2 million related to one-time accruals ($1.0 million related to restructuring) established in a prior year.

9. Segments

Autodesk's operating results have been aggregated into two reportable segments: the Discreet Segment and the Design Solutions Segment.

The Discreet Segment derives revenues from the sale of its products to creative professionals for a variety of applications, including feature films, television programs, commercials, music and corporate videos, interactive game production, live broadcasting and Web design.

The Design Solutions Segment derives revenues from the sale of design software products for professionals, occasional users or consumers who design, draft and diagram, and from the sale of mapping and geographic information systems technology to public and private users. The Design Solutions Segment consists of the following business divisions, all of which have industry specific focuses: Design Platforms Group; Manufacturing; Building Industry Division; Location Services; and Geographic Information Services.

Autodesk evaluates the performance of each segment on the basis of income from operations before income taxes. Autodesk currently does not separately accumulate and report asset information by segment. Information concerning the operations of the reportable segments is as follows:

	Three months ended October 31,		Nine months ended October 31,	
	2001	2000	2001	2000
	(In thousands)			
Net revenues:				
Design Solutions	$179,607	$178,615	$ 567,879	$ 545,950
Discreet	36,750	50,562	125,578	147,327
	$216,357	$229,177	$ 693,457	$ 693,277
Income (loss) from operations:				
Design Solutions	$109,880	$112,472	$ 370,628	$ 375,911
Discreet	(2,446)	8,004	6,047	18,410
Unallocated amounts(1)	(94,602)	(90,956)	(307,854)	(292,818)
	$ 12,832	$ 29,520	$ 68,821	$ 101,503

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(1) Unallocated amounts are attributed primarily to other geographic costs and expenses that are managed outside the reportable segments.

10. Stock Repurchase Program

During the nine months ended October 31, 2001, Autodesk repurchased and retired 2.4 million shares of its common stock, of which 349,000 shares were repurchased and retired during the third quarter, at an average repurchase price of $35.30 per share. As a result of the stock repurchase activity during the past nine months, common stock and additional paid-in capital and retained earnings were reduced by $52.8 million and $34.5 million, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion below contains trend analyses and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, trend analyses and other information contained below relating to markets for our products and trends in revenue, as well as other statements including such words as "anticipate," "believe," "plan," "estimate," "expect," "goal," and "intend" and other similar expressions involving future trends or uncertainties, constitute forward-looking statements. These forward-looking statements are subject to business and economic risks, and our actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth below, including "Risk Factors Which May Impact Future Operating Results" as well as factors set forth in our fiscal 2001 Annual Report on Form 10-K.

Results of Operations

Three Months Ended October 31, 2001 and 2000

Net revenues. Our net revenues for the third quarter of fiscal 2002 were $216.4 million, as compared to $229.2 million for the third quarter of the prior fiscal year. Net revenues decreased 9 percent in the Americas' and 5 percent in Asia/Pacific, while Europe's net revenues remained constant. Net revenues for the Design Solutions Segment remained relatively constant compared to the third quarter in the prior fiscal year. Sales of AutoCAD and AutoCAD upgrades, which were reflected in the net revenues for the Design Solutions Segment, accounted for approximately 29 percent of our consolidated net revenues in the third quarter of fiscal 2002 and 32 percent of our consolidated net revenues in the same period last year. Net revenues for the Discreet Segment decreased to $36.8 million, a decline of 27 percent as compared to the third quarter in the prior fiscal year.

The stronger value of the US dollar, relative to international currencies and as compared to the third quarter of last year, had a negative impact on net revenues. Had the rates from the prior year been in effect in the third quarter of fiscal 2002, translated international revenue billed in local currencies would have been $3.5 million higher. Most of the unfavorable exchange rate differences were in Asia/Pacific currencies. If exchange rates move unfavorably in the future, they will have a negative impact on net revenues. International sales, including exports from the U.S., accounted for approximately 64 percent of our net revenues in the third quarter of both fiscal 2002 and fiscal 2001.

Product returns, consisting principally of stock rotation, are recorded as a reduction of net revenues. Product returns as a percentage of revenues have historically ranged from two to six percent quarterly. We anticipate that the level of product returns in future periods will continue to be impacted by the timing of new product releases, as well as the quality and market acceptance of new products.

Cost of revenues. Cost of revenues as a percentage of net revenues remained constant at 17 percent for the third quarter of fiscal 2002 and fiscal 2001. Slightly lower material costs and software amortization costs were offset by higher royalty expense. Cost of revenues as a percentage of net revenues will continue to be impacted by the mix of product sales, software amortization costs, royalty rates for licensed technology embedded in our products, and the geographic distribution of sales.

Marketing and sales. Marketing and sales expenses were 37 percent of net revenues in the third quarter of fiscal 2002, as compared to 35 percent in the third quarter of fiscal 2001. This difference was primarily due to higher employee-related expenses as we increase our focus on direct sales to major accounts offset by reduced discretionary spending. We expect to continue to make significant investments in marketing and sales, both in absolute dollars and as a percentage of net revenues.

Research and development. Research and development expenses were $39.6 million in the third quarter of fiscal 2002 as compared to $42.7 million in the third quarter of the prior year. The difference was primarily due to efforts to reduce discretionary spending and lower outside consultant fees. We expect that research and development spending will continue to be significant as we continue to support product development efforts by our market groups.

General and administrative. General and administrative expenses were 15 percent of net revenues in the third quarter of fiscal 2002, as compared to 14 percent in the third quarter of fiscal 2001. Higher employee-related costs were offset by lower professional fees, depreciation costs, and reduced discretionary spending. We expect that general and administrative expenses, as a percentage of net revenues, will remain consistent with levels recently experienced.

Amortization of goodwill and purchased intangibles. Amortization of goodwill and purchased intangibles was $5.2 million in the third quarter of fiscal 2002 as compared to $5.9 million in the same period last year. This decrease was due to some intangibles becoming fully amortized.

Nonrecurring charges (credits). Nonrecurring charges for the third quarter of fiscal 2002 were comprised of $3.2 million related to acquisition-related charges resulting from our purchase of the software division of Media 100, $3.6 million related to the wind-down and dissolution of RedSpark, and the addition of $0.5 million of restructuring and reorganization costs in connection with our formal plan to reduce operating expense levels. We anticipate additional restructuring and reorganization charges in future periods. For additional information regarding nonrecurring charges see Note 8. Nonrecurring Charges, in the Notes to Condensed Consolidated Financial Statements.

Interest and other income. Interest and other income, net was $4.3 million in the third quarter of fiscal 2002 as compared to $6.4 million in the corresponding period last year. The decrease was primarily related to significantly lower interest rates on cash and investment balances.

Gain on disposal of affiliate. During the third quarter of fiscal 2002 we recognized a one-time non-cash gain of $9.5 million related to the dissolution of RedSpark. We have been consolidating RedSpark's results from operations since RedSpark was formed in April 2000. The gain, which resulted from the reversal of the minority interest liability balance, represents the reversal of cumulative losses recognized in excess of the amount that we originally invested.

Provision for income taxes. Our effective income tax rate, excluding the non-taxable gain on the dissolution of RedSpark (as discussed above), was 30 percent for the third quarter of fiscal 2002 and 32 percent for the third quarter of fiscal 2001. The lower effective tax rate is primarily due to the impact associated with our foreign earnings, which are taxed at rates different from the federal statutory rate, and non-deductible goodwill amortization. The effective tax rate for both periods is less than the federal statutory rate of 35 percent due to the amount of benefits associated with our foreign earnings, research credits and tax-exempt interest, partially offset by non-deductible goodwill amortization.

Equity in net loss of affiliate. In August 2001, we acquired the remaining 60% of Buzzsaw for $15 million in cash plus the assumption of liabilities. Consequently, from the date of acquisition Buzzsaw's on-going revenues and costs and expenses are included in each of the respective line items in the consolidated statements of operations.

Through the first quarter of fiscal 2002, we recognized net losses up to our remaining equity investment balance in Buzzsaw. Consequently, no additional losses were recognized subsequent to the first quarter of fiscal 2002. We recognized $5.9 million of equity in net losses during the third quarter of last year.

Nine Months Ended October 31, 2001 and 2000

Net revenues. Our net revenues for the nine months ended October 31, 2001 were $693.5 million, as compared to $693.3 million for the same period of the prior fiscal year. Net revenues in the Americas' remained relatively constant, while the 7 percent increase in Asia/Pacific's net revenues was partially offset by a decrease of 3 percent in Europe's net revenues. Net revenues for the Design Solutions Segment increased by 4 percent as compared to the first nine months of the prior fiscal year. Sales of AutoCAD and AutoCAD upgrades, which were reflected in the net revenues for the Design Solutions Segment, accounted for approximately 31 percent of our consolidated net revenues in the first nine months of fiscal 2002 and 32 percent of our consolidated net revenues in the first nine months of fiscal 2001. Net revenues for the Discreet Segment decreased to $125.6 million, a decline of 15 percent as compared to the first nine months of the prior fiscal year.

The stronger value of the US dollar, relative to international currencies and as compared to the first nine months of the prior fiscal year, had a negative impact on net revenues. Had the rates from the prior year been in effect during the first nine months of fiscal 2002, translated international revenue billed in local currencies would have been $21.5 million higher. If exchange rates move unfavorably in the future, they will have a negative impact on net revenues.

Product returns, consisting principally of stock rotation, are recorded as a reduction of revenues and represented approximately 5 percent of consolidated revenues during the nine months ended October 31, 2001 as compared to 3 percent during the same period last year. We anticipate that the level of product returns in future periods will continue to be impacted by the timing of new product releases, as well as the quality and market acceptance of new products.

Cost of revenues. Cost of revenues as a percentage of net revenues remained constant at 16 percent for the first nine months of fiscal 2002 and fiscal 2001. Lower material costs, as a result of product mix, and lower software amortization costs were offset by higher royalty expenses. Cost of revenues as a percentage of net revenues will continue to be impacted by the mix of product sales, software amortization costs, royalty rates for licensed technology embedded in our products, and the geographic distribution of sales.

Marketing and sales. Marketing and sales expenses were 37 percent of net revenues in the first nine months of fiscal 2002, as compared to 34 percent in the first nine months of fiscal 2001. This difference was primarily due to higher employee-related expenses as we increase our focus on direct sales to major accounts. We expect to continue to make significant investments in marketing and sales, both in absolute dollars and as a percentage of net revenues.

Research and development. Research and development expenses were $129.4 million in the first nine months of fiscal 2002 as compared to $125.2 million in the first nine months of fiscal 2001. The difference was primarily due to higher employee related costs, efforts associated with our location services initiatives and research and development costs incurred by RedSpark, prior to its dissolution during October 2001. We expect that research and development spending will continue to be significant as we continue to support product development efforts by our market groups.

General and administrative. General and administrative expenses as a percentage of net revenues remained constant at 14 percent for the first nine months of fiscal 2002 and 2001. Higher employee-related costs were offset by lower professional fees and depreciation costs. We expect that general and administrative expenses, as a percentage of net revenues, will remain consistent with levels recently experienced.

Amortization of goodwill and purchased intangibles. Amortization of goodwill and purchased intangibles decreased to $15.7 million in the first nine months of fiscal 2002 from $20.9 million in the same period last year due to some intangibles becoming fully amortized.

Nonrecurring charges (credits). During the first nine months of fiscal 2002, we recognized $17.1 million of nonrecurring charges. These charges resulted from restructuring and reorganization activities ($10.3 million), the acquisition of the software division of Media 100 ($3.2 million) and wind-down costs associated with the dissolution of RedSpark ($3.6 million). As a result of the restructuring we expect to realize quarterly savings of $2.4 million, of which $1.4 million per quarter will be realized immediately.

These total savings are expected to last for the next several quarters and will be reflected in each on-going cost and expense line item in the consolidated statements of operations. See Note 8 for further discussion.

During the first nine months of fiscal 2001, we reversed $1.2 million related to one-time accruals established in fiscal 2000. Of the $1.2 million, $1.0 million related to restructuring accruals established in fiscal 2000. The accruals were settled for less than originally estimated.

Interest and other income. Interest and other income, net was $17.3 million in the first nine months of fiscal 2002 as compared to $13.6 million in the same period last year. The increase was primarily due to higher investment income, mostly due to realized gains from sales of marketable securities, and one-time transactions.

Gain on disposal of affiliate. During the third quarter of fiscal 2002 we recognized a one-time non-cash gain of $9.5 million related to the dissolution of RedSpark. We have been consolidating RedSpark's results from operations since RedSpark was formed in April 2000. The gain, which resulted from the reversal of the minority interest liability balance, represents the reversal of cumulative losses recognized in excess of the amount that we originally invested.

Provision for income taxes. Our effective income tax rate, excluding the non-taxable gain on the dissolution of RedSpark (as discussed above), was 30 percent for the first nine months of fiscal 2002 and 32 percent for the first nine months of fiscal 2001. The lower effective tax rate is primarily due to the impact associated with our foreign earnings, which are taxed at rates different from the federal statutory rate, and non-deductible goodwill amortization. The effective tax rate for both periods is less than the federal statutory rate of 35 percent due to the amount of benefits associated with our foreign earnings, research credits and tax-exempt interest, partially offset by non-deductible goodwill amortization.

Equity in net loss of affiliate. We recognized $1.2 million of equity in net losses during the first nine months of fiscal 2002 and $13.5 million during the same period last year. These amounts are related to our former investment in Buzzsaw.

Liquidity and Capital Resources

Cash, cash equivalents, and marketable securities totaled $427.6 million at October 31, 2001, compared to $422.5 million at January 31, 2001. The primary uses of cash during the first nine months of fiscal 2002 were: the repurchase of 2.4 million shares of our common stock for $87.3 million, the acquisition of businesses for $34.3 million, capital and other expenditures of $36.7 million, and dividend payments totaling $9.8 million. The primary sources of cash were cash provided by operating activities of $129.5 million and stock issuances resulting from our employee stock plans of $53.6 million.

The Board of Directors has approved plans to repurchase up to 22.0 million shares of our common stock. Of these 22.0 million shares, 14.5 million have been repurchased as of October 31, 2001. The primary purpose of the stock repurchase programs is to help offset the dilution to earnings per share caused by the issuance of stock under our employee stock plans.

We have a U.S. line of credit permitting short-term, unsecured borrowings of up to $75.0 million, which may be used from time to time for working capital or other business needs. At October 31, 2001, there were no borrowings outstanding under this agreement, which expires in January 2002. Management intends to maintain adequate credit lines to carry out its business.

Principal commitments at October 31, 2001 consisted of obligations under operating leases for facilities and some computer hardware.

We believe that our existing cash, cash equivalents, marketable securities, available line of credit, and cash generated from operations will be sufficient to satisfy our currently anticipated short-term and longer-term cash requirements. Longer-term cash requirements, other than normal operating expenses, are anticipated for the development of new software products and incremental product offerings resulting from the enhancement of existing products; financing anticipated growth; dividend payments; the share repurchase programs; and the acquisition of businesses, software products or technologies complementary to our business.

Our international operations are subject to currency fluctuations. To minimize the impact of these fluctuations, we use foreign currency option contracts to hedge our exposure on anticipated transactions and forward contracts to hedge our exposure on firm commitments, primarily certain payables and receivables denominated in foreign currencies. Our foreign currency instruments generally have maturities of less than three months, and the option contracts settle before the end of a quarterly period. The principal currencies hedged during the three months ended October 31, 2001 were the Euro, British pound, and Japanese yen. We monitor our foreign exchange exposures to ensure the overall effectiveness of our foreign currency hedge positions.

Risk Factors Which May Impact Future Operating Results

We operate in a rapidly changing environment that involves a number of risks, many of which are beyond our control. The following discussion highlights some of these risks and the possible impact of these factors on future results of operations.

You should carefully consider these risks before making an investment decision. If any of the following risks actually occur, our business, financial condition or results of operations may be adversely impacted. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment.

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

Our quarterly operating results have fluctuated in the past and are likely to do so in the future. These fluctuations could cause our stock price to significantly fluctuate or experience declines. Some of the factors that could cause our operating results to fluctuate include, among other things the timing of the introduction of new products by us or our competitors, changes in marketing or operating expenses, changes in product pricing or product mix, platform changes, delays in product releases, competitive factors, distribution channel management, changes in compensation practices, the timing of systems sales and general economic conditions.

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

Additionally, our operating expenses are based in part on our 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 our business. Further, gross margins may be adversely affected if our sales of low-end CAD products and AutoCAD upgrades, which historically have had lower margins, grow at a faster rate than sales of our higher-margin products.

Because we derive a substantial portion of our net revenues from a limited number of products, if these products are not successful, our net revenues will be adversely affected.

We derive a substantial portion of our net revenues from sales of AutoCAD software, AutoCAD upgrades, and products that are interoperable with AutoCAD. As such, any factor adversely affecting sales of AutoCAD and AutoCAD upgrades, including product life cycle, market acceptance, product performance and reliability, reputation, price competition and the availability of third-party applications, would likely harm our operating results.

Existing and increased competition in the design software market may reduce our net revenues, profits and market share.

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. Since customers increasingly rely on the Internet, new platforms and technologies can be expected to be developed in the design industries. The design software market in particular is characterized by vigorous competition in each of the vertical markets in which we compete, both by entry of competitors with innovative technologies and by consolidation of companies with complementary products and technologies. In addition, the availability of third-party application software is a competitive factor within the CAD market. Because of these and other factors, competitive conditions in the industry are likely to intensify in the future. Increased competition could result in price reductions, reduced net revenues and profit margins and loss of market share, any of which could harm our business. Furthermore, some of our competitors have greater financial, technical, sales and marketing and other resources.

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

Our efforts to develop and introduce new products expose us to risks such as costs related to product defects, large expenditures that may not result in additional net revenues and dependence on third party developers.

Rapid technological change as well as changes in customer requirements and preferences characterize the software industry. The software products we offer are internally complex, and despite extensive testing and quality control, may contain errors or defects. These defects or errors could result in corrective releases to our software products, damage to our reputation, loss of revenues, an increase in product returns or lack of market acceptance of our products, any of which could harm our business.

With the prevalence of new Internet technologies and the demand for increased customer connectivity, new platforms and technologies can be expected to be developed in the design industries. We are devoting significant resources to the development of such technologies as well as transitioning to new business models, requiring a considerable investment of technical and financial resources. Such investments may not result in sufficient revenue generation to justify their costs, or competitors may introduce new products and services that will achieve acceptance among our current customers, adversely affecting our competitive position.

Independent firms and contractors perform some of our product development activities, while other technologies are licensed from third parties. We generally either own or license the software developed by third parties. Because talented development personnel are in high demand, independent developers, including those who currently develop products for us, may not be able to provide development support to us in the future. Similarly, we may not be able to obtain and renew license agreements on favorable terms, if at all, and any failure to do so could harm our business.

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

Our international operations expose us to significant regulatory, intellectual property, collections, exchange fluctuations and other risks, which could adversely impact our future net revenues.

We anticipate that international operations will continue to account for a significant portion of our consolidated net revenues. Risks inherent in our international operations include the following: unexpected changes in regulatory practices and tariffs, difficulties in staffing and managing foreign operations, longer collection cycles for accounts receivable, potential changes in tax laws, greater difficulty in protecting intellectual property and the impact of fluctuating exchange rates between the U.S. dollar and foreign currencies in markets where we do business.

Our risk management strategy uses derivative financial instruments in the form of foreign currency option contracts and forward contracts for the purpose of hedging foreign currency market exposures, which exist as a part of our ongoing business operations. Our international results may also be impacted by general economic and political conditions in these foreign markets. These and other factors may adversely impact our future international operations and consequently our business as a whole.

If we do not maintain our relationship with the members of our distribution channel, our ability to generate net revenues will be adversely affected.

We sell our software products primarily to distributors and value-added resellers, or VARs. Our ability to effectively distribute our products depends in part upon the financial and business condition of our VAR network. Although we have not recently experienced any material problems with the financial viability of our VAR network, computer software dealers and distributors are typically not highly capitalized, have previously experienced difficulties during times of economic contraction and may do so in the future. In addition, the changing distribution models resulting from the Internet, from increased focus on direct sales to major accounts or from two-tiered distribution may impact our VAR network in the future. While no single customer accounted for more than 10 percent of our consolidated net revenues in fiscal 2001, the loss of or a significant reduction in business with any one of our major international distributors or large U.S. resellers could harm our business.

Product returns by VARs could exceed our estimates and harm our net revenues.

With the exception of some distributors, agreements with our VARs do not contain specific product-return privileges. However, we permit our VARs to return product in certain instances, generally during periods of product transition and during update cycles. We anticipate that product returns in future periods will continue to be impacted by product update cycles, new product releases and software quality.

We establish reserves, including reserves for stock balancing and product rotation. These reserves are 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 we maintain strict measures to monitor channel inventories and to provide appropriate reserves, actual product returns may differ from our reserve estimates, and such differences could harm our business.

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

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

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

We expect that software product developers will be increasingly subject to infringement claims as the number of products and competitors in our industry segments grows and as the functionality of products in different industry segments overlaps. Infringement, invalidity claims, or misappropriation claims may be asserted against us, and any such assertions could harm our 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 us to enter into royalty or licensing agreements. In addition, such royalty or license agreements, if required, may not be available on acceptable terms, if at all, which would likely harm our business.

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

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

In addition, for certain of our on-line collaboration applications, we rely on third party hardware and services. Financial difficulties or even failure of these third parties may impact our ability to deliver such on-line collaboration applications and, as a result, may adversely impact our business.

The loss of key personnel or the inability to attract and retain additional personnel, particularly in Northern California where we are headquartered, could harm our business.

Our continued growth and success depends significantly on the continued service of highly skilled employees. Our ability to attract and retain employees is dependent on a number of factors, including our continued ability to grant stock incentive awards. The loss of key employees or inability to recruit new employees would negatively impact our business. In addition, we may experience increased compensation costs to attract and retain skilled personnel.

The transition to a single European currency could negatively impact our international operations.

As a result of the introduction of the Euro and during the transition period, which will end on January 1, 2002, we will continue to modify the internal systems that will be affected by this conversion. We may not be able to complete such modifications to comply with Euro requirements, which could harm our business. We are currently evaluating the impact of the introduction of the Euro on our foreign exchange activities, functional currency designations, and pricing strategies in the new economic environment. In addition, we face risks to the extent that banks and vendors upon whom we rely and their suppliers are unable to make appropriate modifications to support our operations with respect to Euro transactions.

Our business could suffer as a result of risks associated with strategic acquisitions and investments.

We periodically acquire or invest in businesses, software products and technologies that are complementary to our business through strategic alliances, debt and equity investments, and the like. The risks associated with such acquisitions or investments include, among others, the difficulty of assimilating the operations and personnel of the companies, the failure to realize anticipated synergies, and the diversion of management's time and attention. In addition, such investments and acquisitions may involve significant transaction-related costs. We may not be successful in overcoming such risks and such investments and acquisitions may negatively impact our business. In addition, such investments and acquisitions may contribute to potential fluctuations in quarterly results of operations. The fluctuations could arise from merger-related costs and charges associated with eliminating redundant expenses or write-offs of impaired assets recorded in connection with acquisitions. These costs or charges could negatively impact results of operations for a given period or cause lack of a consistent increase quarter to quarter in our operating results and financial condition.

Fluctuations in the price of our common stock due to net revenues or earnings shortfalls or the volatility of the market generally may cause the market price of our stock to decline, which could harm our business.

The market price for our common stock has experienced significant fluctuations and may continue to fluctuate significantly. The market price for our common stock may be affected by a number of factors, including the following: net revenues or earnings shortfalls and changes in estimates or recommendations by securities analysts; the announcement of new products or product enhancements by us or our competitors; quarterly variations in our or our competitors' results of operations; developments in our industry; general market conditions, technology sector fluctuations and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

General economic conditions may reduce our net revenues and harm our business.

As our business has grown, we have become increasingly subject to the risks arising from adverse changes in domestic and global economic conditions. Because of the recent economic slowdown in the U.S., many industries are delaying or reducing technology purchases. The impact of this slowdown on us is difficult to predict, but it may result in reductions in sales of our products, longer sales cycles and increased price competition. As a result, if the current economic slowdown continues or worsens, we may fall short of our revenue expectations for the final quarter of fiscal 2002 or for the entire year. These conditions would negatively affect our business and results of operations. In addition, weakness in the end-user market could negatively affect the cash flow of our distributors and VARs who could, in turn, delay paying their obligations to us. This would increase our credit risk exposure, which could harm our profitability and financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have no material changes to the disclosure on this matter made in our report on Form 10-K for the fiscal year ended January 31, 2001.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

In addition, in March and April 2000, three class action complaints were filed against us and certain of our officers and directors, alleging violations of the Securities Exchange Act of 1934. The United States District Court for the Northern District of California consolidated these complaints into one lawsuit in August 2000. On November 21, 2001 the Court granted our motion to dismiss the lawsuit without leave to amend.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits

No exhibits were filed as part of this Form 10-Q.

Reports on Form 8-K

Notice of Autodesk's acquisition of Buzzsaw.com, Inc., effective August 20, 2001, along with required financial statement information as filed on October 15, 2001 under Items 2 and 7.

SIGNATURES

Pursuant to the requirements 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.

Dated: November 30, 2001

AUTODESK, INC.
(Registrant)

/s/ CAROL A. BARTZ
____
Carol A. Bartz
Chairman, Chief Executive Officer and President

/s/ STEVE CAKEBREAD
____
Steve Cakebread
Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)